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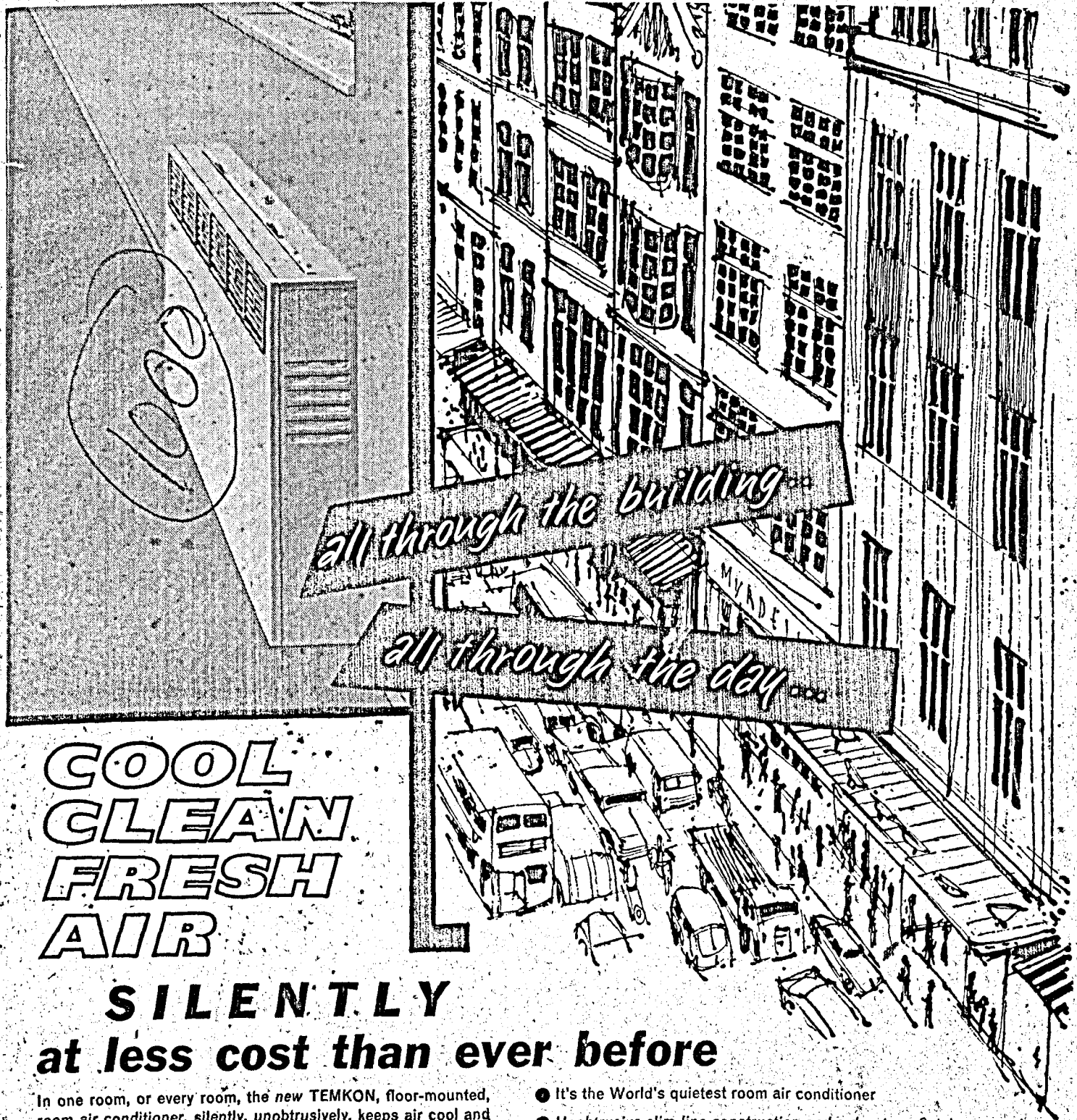
The Economist
1961

July-18

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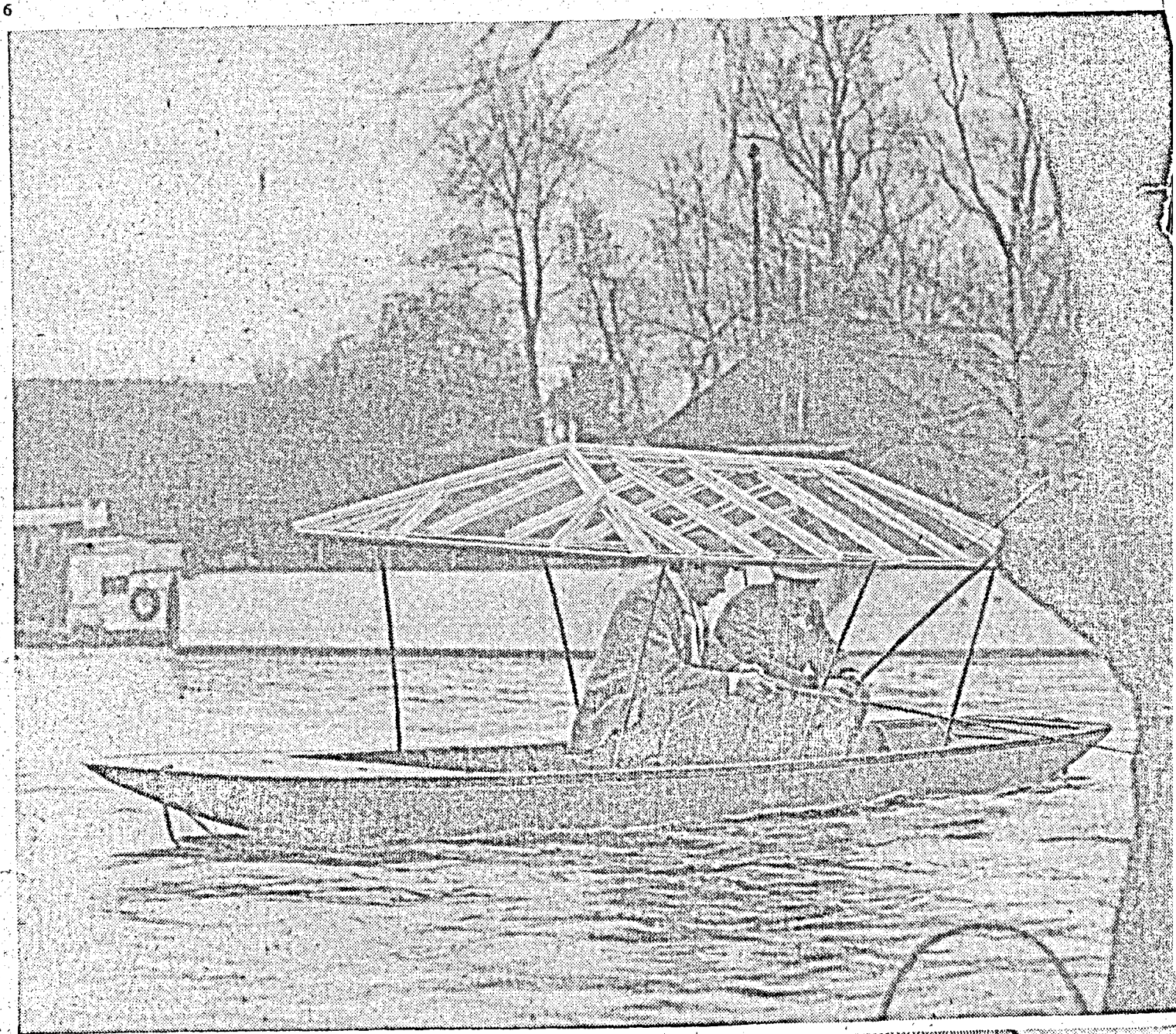
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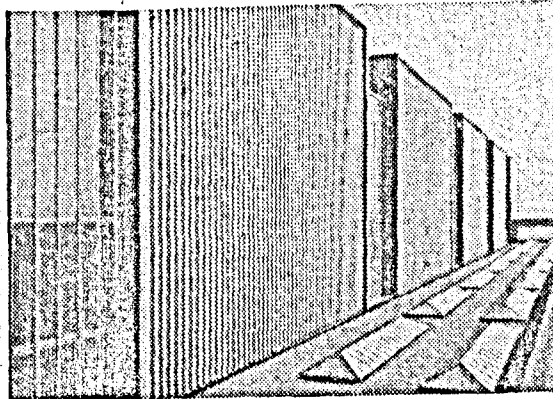


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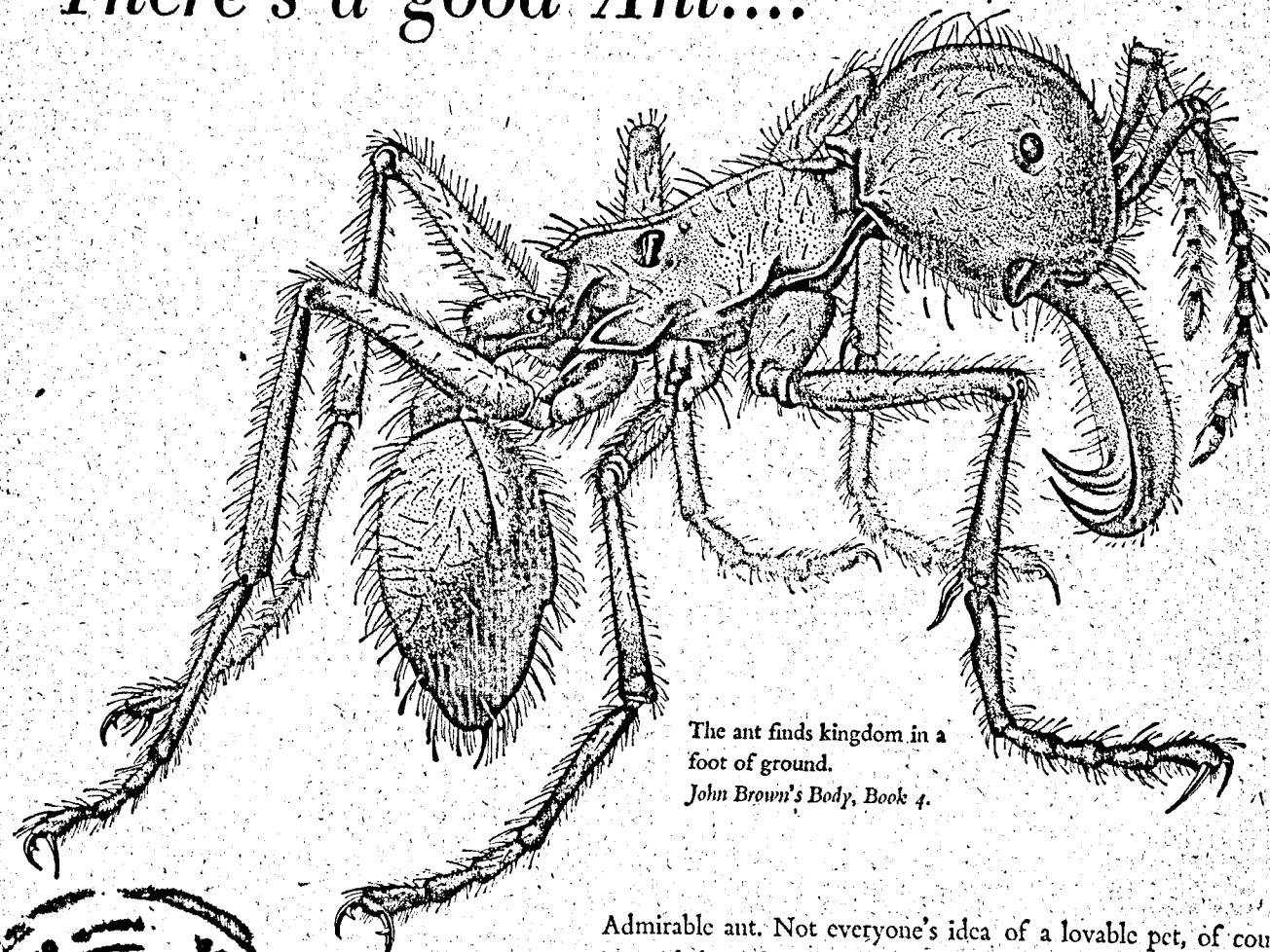
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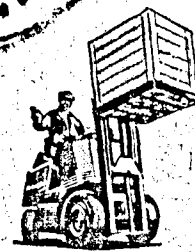
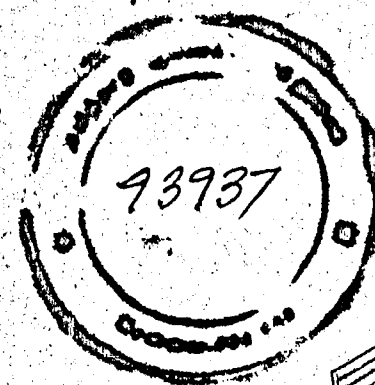


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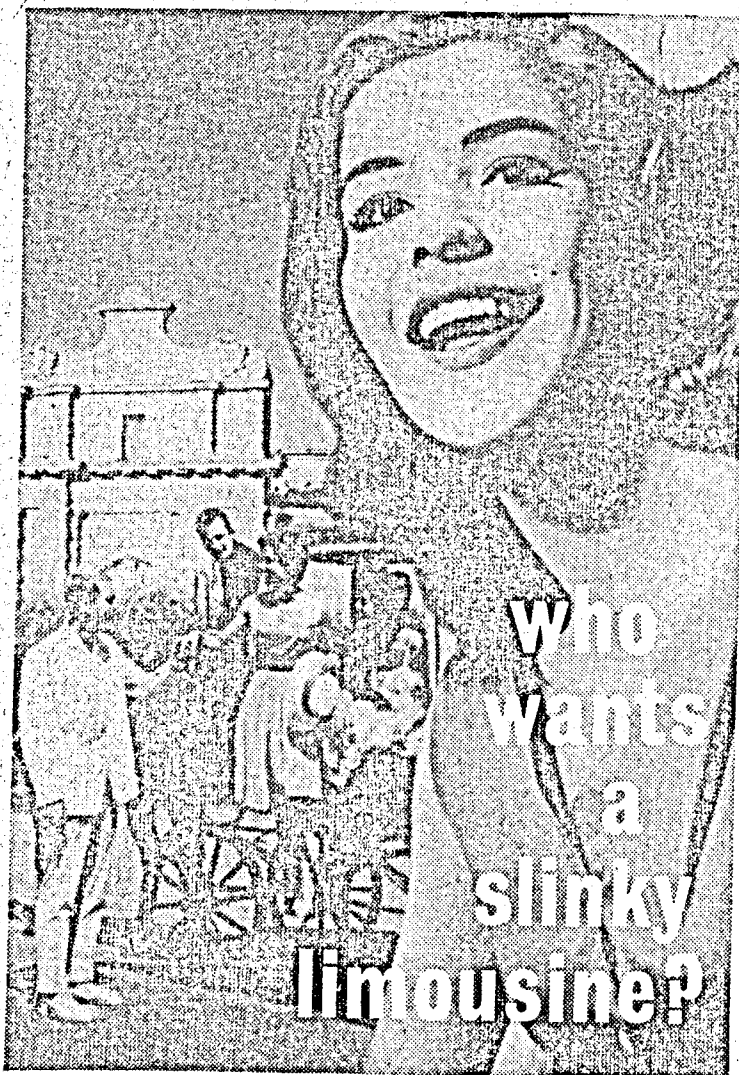
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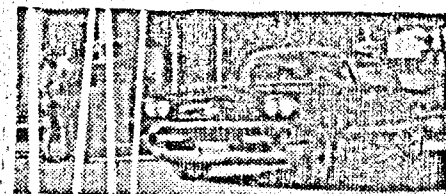
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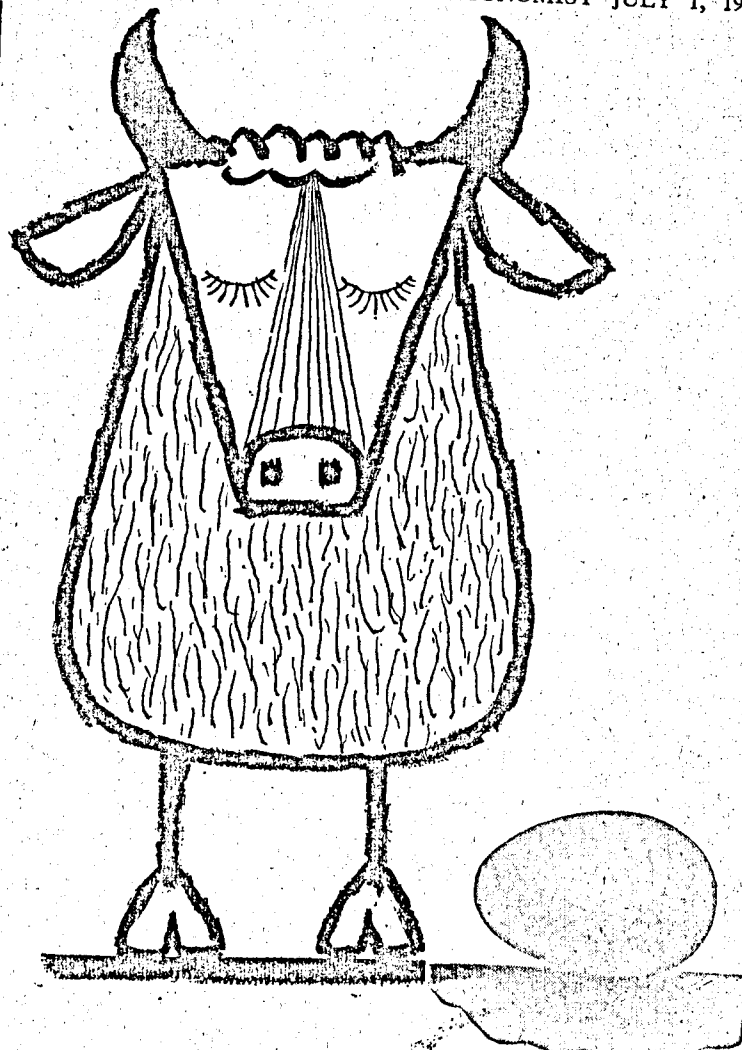
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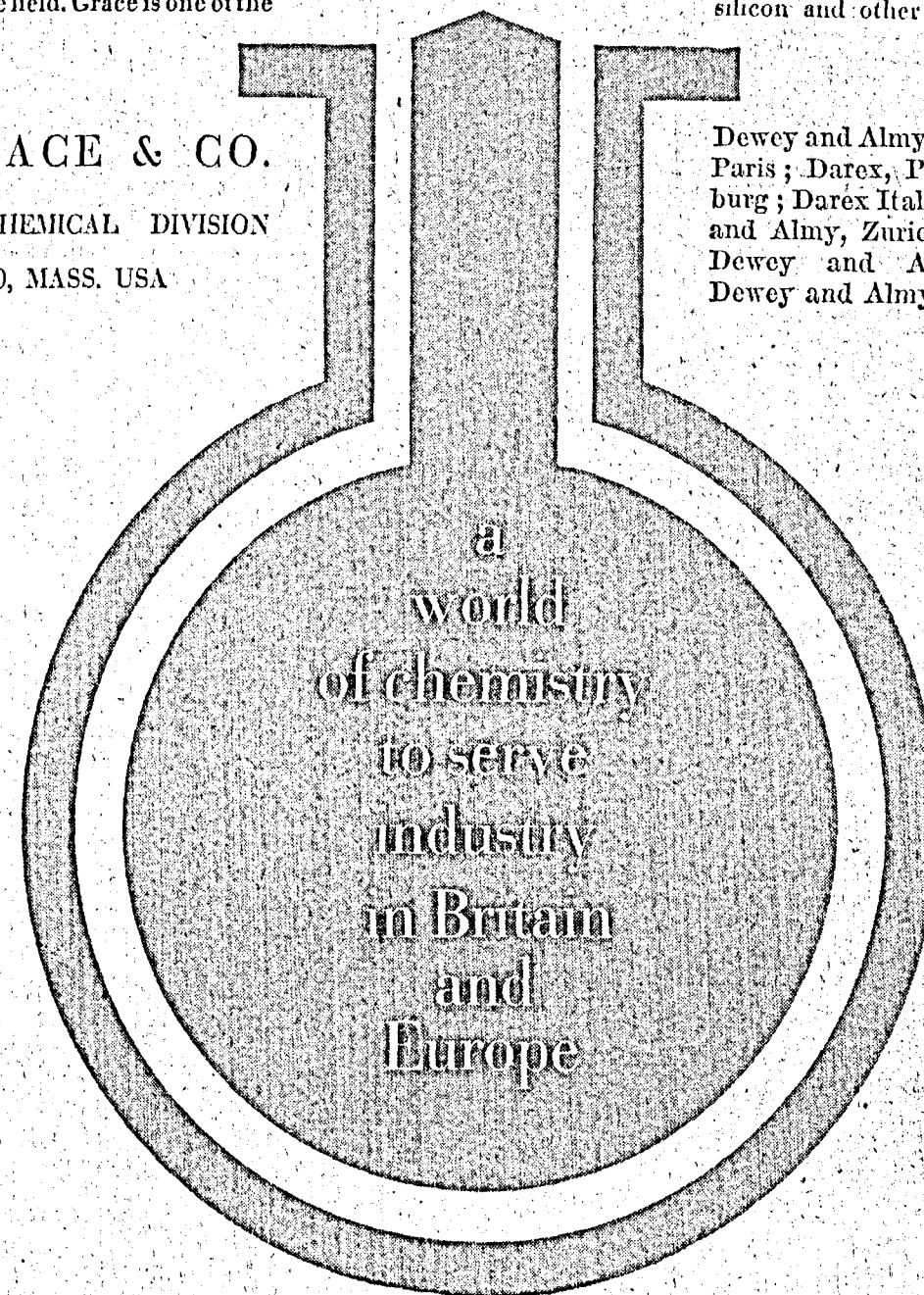
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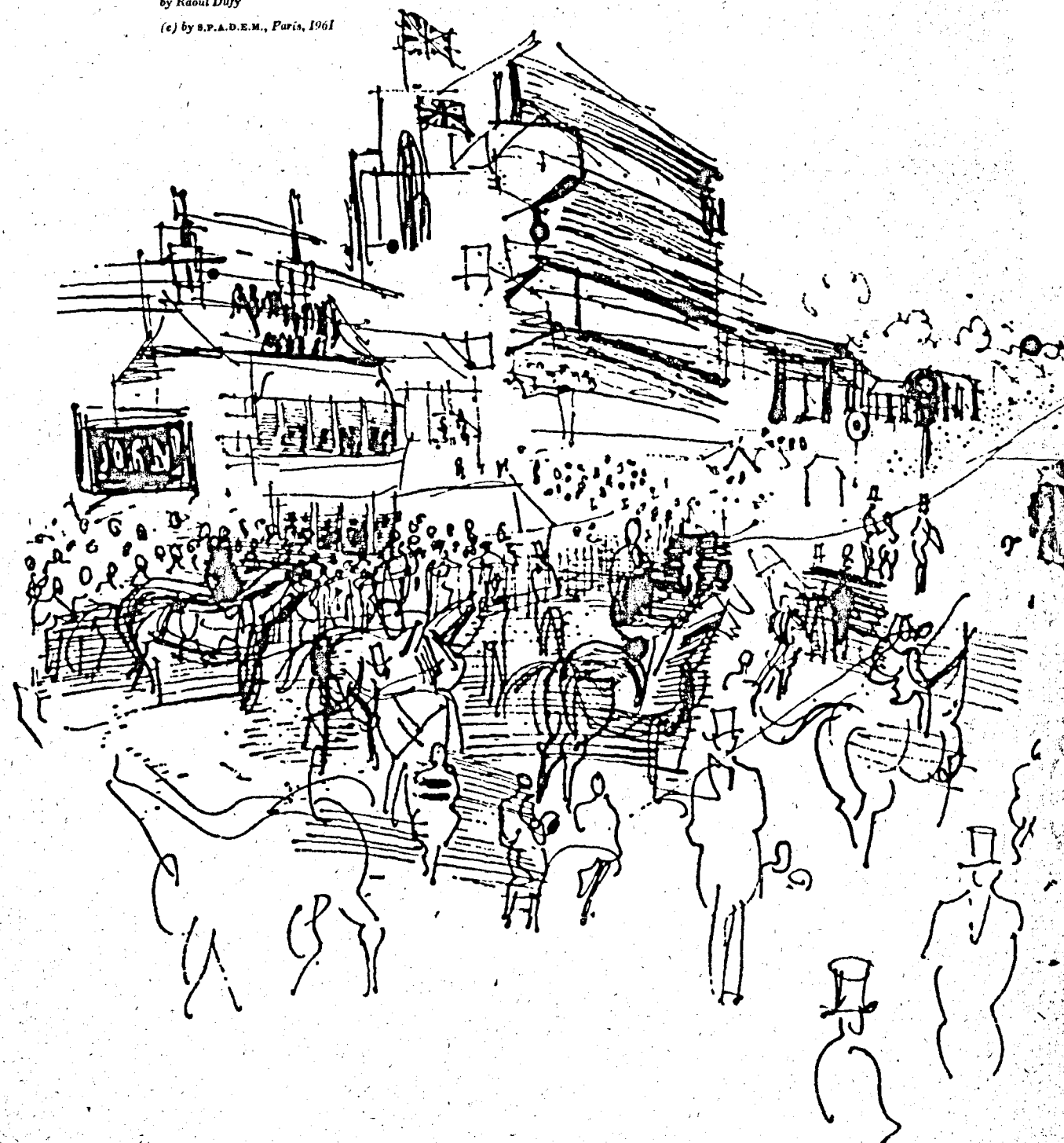
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by Raoul Dufy

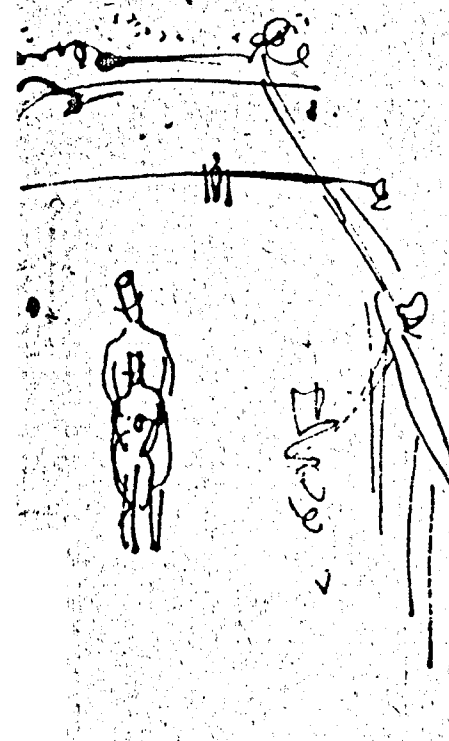
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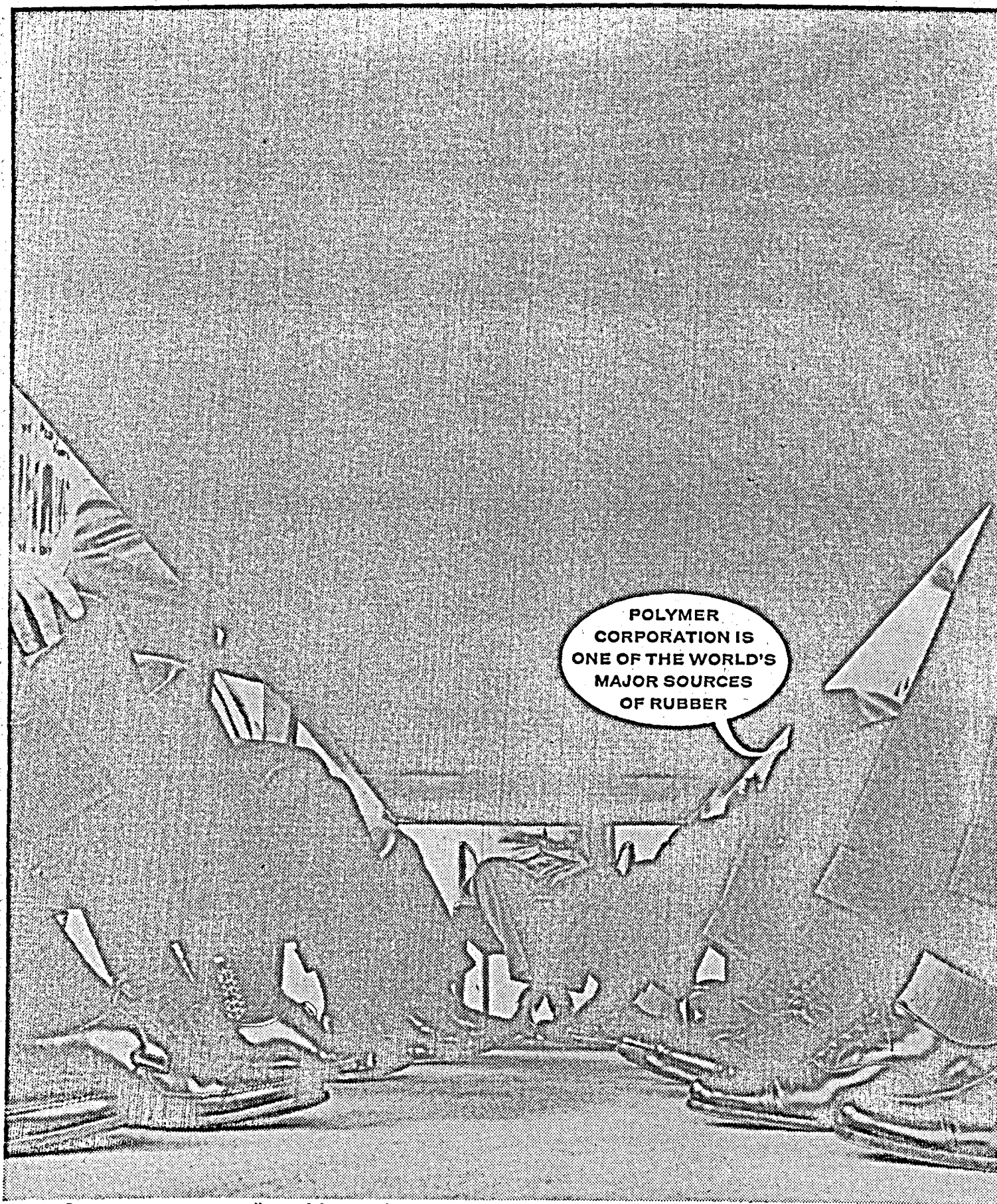


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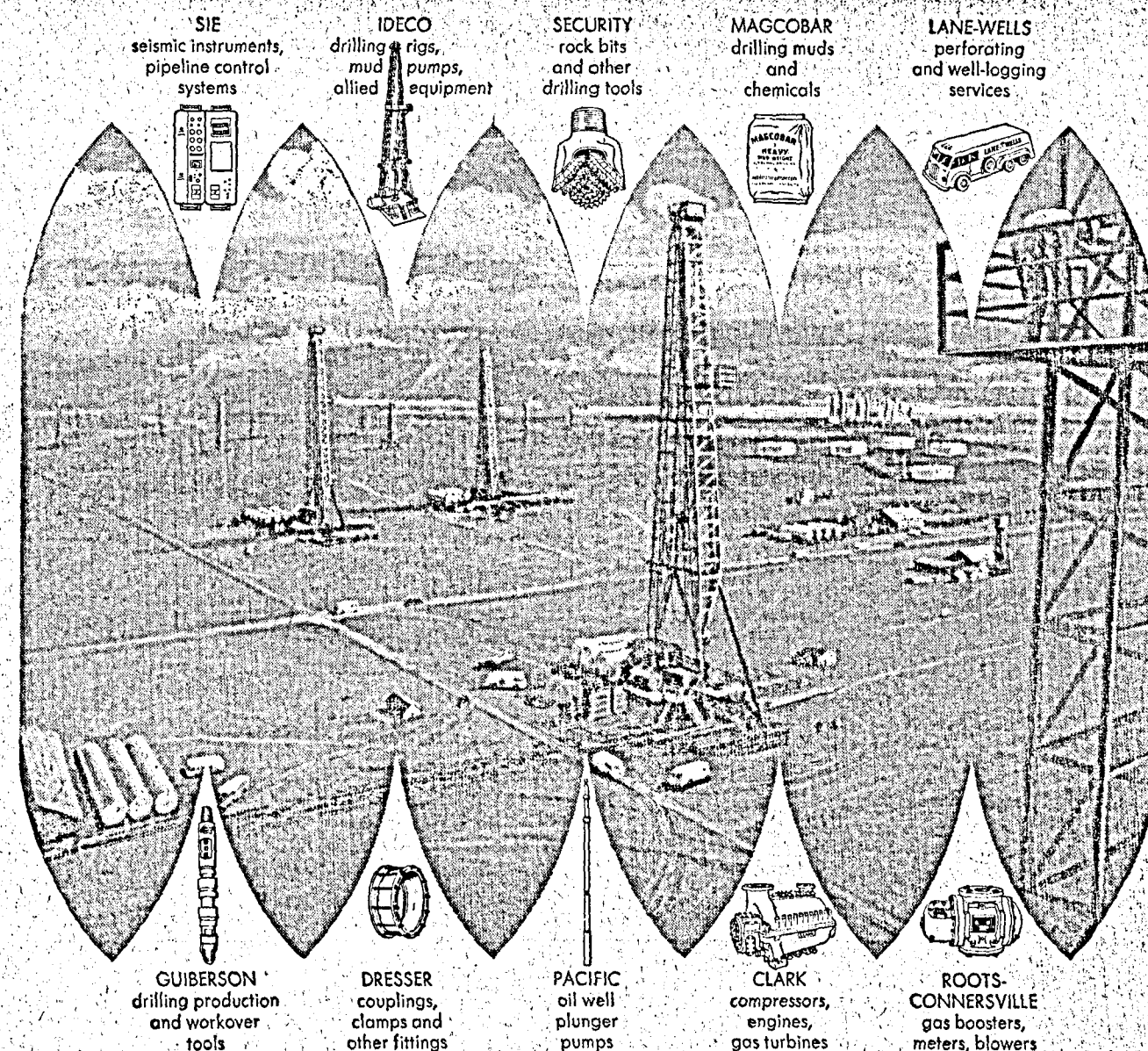


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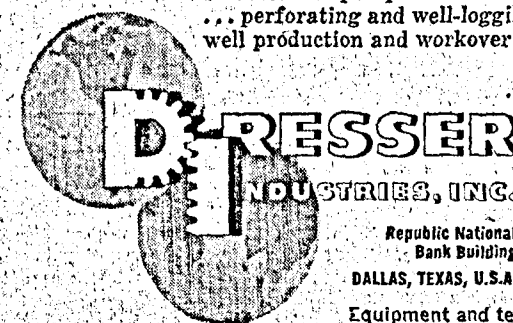
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The Economist

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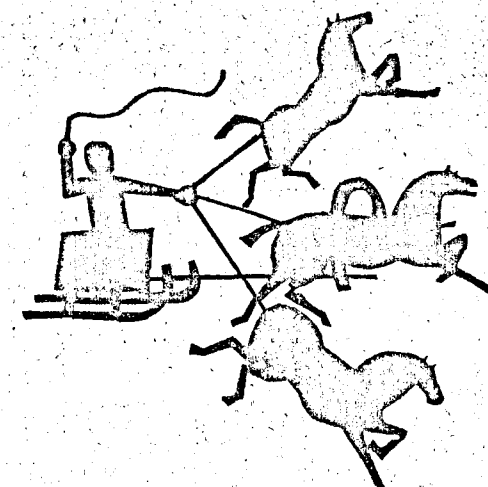
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Rhodesian Troika

"A troika is a carriage . . . drawn by three horses. The horse in the middle must always trot; the ones on the left and the right must always gallop. The middle one trots with his head down . . . his companions gallop along tossing their heads and are called the 'furies'."

—Alexandre Dumas, *Adventures in Czarist Russia*

BUT Northern Rhodesia's Africans cannot be made to trot with their heads down—and Nyasaland, on the left, is galloping in a different direction from Southern Rhodesia on the right. It is hard to imagine how any driver, let alone Sir Roy Welensky and Mr Macleod, can now prevent the federal carriage from overturning. Northern Rhodesia has not been given the certainty of self-government under African control prescribed by Lord Monckton; instead, the African nationalists and the white liberals have been given the chance of a majority in the legislature if they join forces in an electoral pact that would have to be remarkably ingenious. What is more likely is that Sir Roy Welensky's party will win control. The pace of African advance in Northern Rhodesia has been slowed down to meet the demands of the white Southern Rhodesian electorate. If the Monckton report was right, this means the eventual break-up of Sir Roy's federation.

The British Government will have to face this when the conference to review the constitution of the Federation of Rhodesia and Nyasaland is resumed. It may not then be possible to resist demands for an end to federation. The theories of "multi-racialism" and "partnership," on which the federation was founded, were until recently interpreted by its politicians as meaning entrenched white government, with some black participation; now that the Europeans are being brought to accept some of the real consequences of partnership, it seems too late to save the federation. To the African nationalists in these three territories, with a combined population of eight million Africans and 300,000 Europeans, the future can only be conceived, in 1961, in terms of emerging black government, with the whites participating as individual citizens. Without this prospect, the Africans cannot be expected to see the real economic advantages of federation.

Whitehall's neat "troika" for central Africa provides for a black Nyasaland to be linked with a white Southern Rhodesia and a neutral Northern Rhodesia. This can no longer be expected to work. In Nyasaland, a triumphant Dr. Banda will soon be elected to leadership of an assembly dominated by his Malawi party, which is committed to the break-up of federation. In Southern Rhodesia, there will be a referendum next month over a constitution that grants to Africans the most that Sir Edgar Whitehead, the prime minister, thinks his settler electorate will allow. If the referendum is lost, there may be a right-wing move to take Southern Rhodesia out of a federation that is beginning to turn too multi-racial for some white citizens; if it is won, all that may have been achieved is the chance to keep the struggle for African rule from turning violent.

In Northern Rhodesia, too, the most that can now be hoped for is that the political struggle will stay non-violent. There is no reason in the nature of the two territories why Northern Rhodesia should not have the same constitution, providing for an African-run legislature, as the one granted to Nyasaland. Africans will ask themselves why their economically more advanced territory is constitutionally behind Nyasaland (and Kenya and Uganda and Tanganyika).

Two answers will almost certainly occur to them. The first is that the Malawi party put up a tougher fight in Nyasaland, where there was no talk of co-operation until victory was won. There is a real danger that Africans in Northern Rhodesia will now turn to strikes and boycotts—as Mr Kaunda's speech on Tuesday gave warning. The second answer is that Northern Rhodesia would have been given a better constitution for the Africans if it had not been for the federation. There can be no doubt that if the new constitution for Northern Rhodesia weighs against the Africans it does so because of the drama in Salisbury and the hidden persuasion in London that were put into production before Christmas.

TRUE, Sir Roy Welensky has won only a modest victory, though his undoubted gains have been publicised as a triumph, and he has got the headlines in Britain that he requires for quotation in the Rhodesian press. Just what has he achieved? When the Northern Rhodesia constitutional conference opened before Christmas, Mr Macleod was thinking in terms of parity of representation with a possible bias towards the Africans. The white paper issued in February seemed to promise that; the white paper issued on Monday puts the bias just the other way. But, in the talks before Christmas, parity of any kind was anathema to Sir Roy's party. According to the February white paper, the United Federal Party challenged the view that there was any justification either for a substantial increase in the number of Africans in the legislative council, or for an extension of the franchise. In the event, African representation has been increased from about a third of the members to around a half, with some chance of more than half the representatives being black. The African electorate has been more than trebled.

On the other hand the Africans, who demanded a certain majority and universal suffrage, have also got much less than they asked for. The new constitution will itself be another example of the troika. Fifteen members will be elected by a lower roll on which nearly all the voters will be African. If the elections are not boycotted, most of the seats will probably be won by Mr Kenneth Kaunda's United National Independence Party; a few may be won by the African National Congress. Another 15 members will be elected on an upper roll that could be one-tenth African if all the Africans who will now get the chance to vote on the upper roll take the opportunity to register. The number of upper roll Africans was increased by about 2,000 in the February white paper; Mr Macleod threw in another 500 on Monday. All the upper roll seats might be won by Sir Roy's UFP, but, if the boundary-drawers group enough of the roll's Africans into one or two constituencies, the one or two could conceivably be won by the Liberals.

For the results in the middle group of "national" seats, a computer is needed. One of these seats is to be reserved for Asians and Coloureds, which means that specifically racial qualifications have been introduced into a British colonial constitution. The racial principle is repeated in the arrangements for electing the other 14 "national" members. In four constituencies, one member must be African and one must be European. In the other three constituencies, members can be of any colour (presumably even Asian). These 14 members will be elected by both voters' rolls, the votes being equalised so that the 70,000 lower roll votes will count for the

same as the 25,000 upper roll votes. To win, candidates will have to attract 12½ per cent of the African vote and 12½ per cent of the European vote, or 400 votes from each race, whichever is the lower. This provision is a concession to Sir Roy Welensky: in February's white paper, candidates were required to win a minimum percentage of votes from both rolls, not from both races; and as there are to be about 3,500 Africans on the upper roll (and hardly any Europeans on the lower roll), this meant an advantage for the Africans, who could have got some candidates in without a single vote from Europeans.

There is, as Mr Kaunda pointed out on Tuesday, a further advantage for Sir Roy Welensky in this change, since it will presumably be easier for his party to win four hundred African votes from each "national" constituency in an African electorate of 70,000 than it will be for any party supporting Mr Kaunda to win the same number of European votes in each constituency from a total European electorate of 22,000. Two little variations—changing from rolls to races and from percentages to percentages and numbers—may thus have given Sir Roy's party the edge. But it is also possible to argue (at least until the delimitation of boundaries is completed) that the white-led Liberals still have the greatest chance of winning the "national" seats, because only they are a "middle" party capable of getting a minimum percentage of votes from both races. This would be an attractive proposition had it not been proved that white Liberal parties (pace Mr Blundell of Kenya) are acceptable to a majority of neither race.

The only hope for a parliamentary solution to the Northern Rhodesian equation lies in coalition, possibly a combination of the two African parties and the Liberals, supported by the Asian member. Such a coalition could serve its purpose (to keep the Africans peaceful by giving them the leading position in the government) only if Sir John Moffat, the leader of the white Liberal party of Northern Rhodesia, accepted Mr Kaunda's leadership. If he did so, he would forfeit some white votes, but no other solution would work. By taking this opportunity and offering to lead his party behind Mr Kaunda, Sir John could save the situation. This solution is part of the hopeful thinking of the Colonial Office, but there is no guarantee that it would happen. It would certainly require the manipulation of constituency boundaries, and a trafficking in votes, to give it any chance. And, if it did work, that would still not save the federation, for Sir John's party is already committed to opposing the federation and, in any pact with Mr Kaunda, that commitment would become deeper.

THE answer, for Britain, could be in east Africa. At a conference which ended in London this week Mr Julius Nyerere of Tanganyika agreed to sacrifice some of his government's power after it becomes independent in December, so that the East Africa High Commission can continue its work as the East African Common Services Organisation. In this way, Tanganyika can wait for Kenya and Uganda to advance constitutionally to the point where elected representative governments can negotiate a federal union if they wish to do so. At the same time, there is hope that Uganda's constitutional problems can be solved (a note on page 26 discusses this) and that Kenya will soon advance to internal self-government.

Such an east African federation, which could include Zanzibar and Ruanda-Urundi, would have a population of 30 million, about 90,000 of whom would be white. Whites in such a federation would be ordinary citizens, with a high standard of living and skill, but no more dominant in politics than, say, West Indians in London. The objections to federation in central Africa—that it was imposed against the black people's wishes and that it has been regarded as a device to

Road to Nowhere?

Economic expansion is, indeed, the thing for Britain. But Labour's new plans for it tend too much to furbish up old shibboleths

THE Labour party's new policy statement provides a series of signposts for the devoted plotting their route to Blackpool for the October conference, but scarcely for many other foiled and circuitous political wanderers of the moment. It is tactically sensible of Mr Gaitskell to make it clear from the outset that the document handed down by the National Executive Committee is not intended as an election manifesto: the conference cannot, in this sense, inscribe yet another sacred text upon its tablets. Anything that allows the leadership and the parliamentary party to exercise their discretion in the formulation of policy is altogether to be desired. But the conference has to have its say. So it is now to be given five themes to knock about as it will: planning (in which is subsumed public ownership), land purchase, social security, education and taxation. None of these issues has been so circumscribed by the executive's agreed phrases as to dampen the spirits of Mr Harold Wilson, Mr Cousins or anyone else in the dinosauric brigade as they tick them off mentally on the road to Blackpool.

If the Gaitskellites have a calculation in all this, it can only be that when the entire speculative gamut has been run in Blackpool on which industries should be fully nationalised (steel and road transport are the only two specifically mentioned so far), which should have state partnership thrust upon them (like Cunard?), and which encouraged by state competition, the conference will have exhausted itself to no very great or immediate point. The appearance of unity, and possibly of vigour, will have been sustained for the benefit of the uncritical rank and file. This is not unimportant to the party image at this juncture. But the price of the advantage could be dear. Enough floating voters, seriously concerned (for the first time in years) to know what Labour really means by planning to meet Britain's current predicament, are likely to be sufficiently disabused by the conference's easy prejudices to make the exercise a damaging one. The fewer opportunities the left is given to sermonise upon portmanteau ideas in the guise of expounding and upholding official policy, the better prospect Mr Gaitskell's stock has of rising further in the country. This is surely the lesson of standing up to the dinosaurs over defence policy.

THE executive's objective of economic expansion is unexceptionable. Who would nowadays dare to draft a party statement without such an ideal figuring in the opening paragraph? If the purpose of a National Industrial Planning

entrench white control over the three territories—are answered in advance in the plans for east Africa. It is time for the British Government to think seriously of the probability that the central African federation may break up; if this happens there might well be an invitation from Dar-es-salaam or Nairobi to Northern Rhodesia and Nyasaland to join a union that would, in no circumstances, have to be held together by force.

Board is to be as positive in its encouragement of the right kind of growth as M. Monnet's *Commissariat Général au Plan* it could no doubt do a very useful job—although a reorganisation of the Treasury machinery to this end would be an even more practical way of going about it. The doubt about whether Labour has, in fact, grasped what is needed for the implementation of a genuinely expansionary policy becomes manifest when the familiar sacred cows are found to have been installed in advance in the brand-new planning headquarters. Is it simply for expansion's sake that greater control is sought over the investment policies of pension funds and private insurance companies, or is it rather because it has been doctrinaire policy to try to get hold of them? What, in the crunch, is the real purpose of regulating the queue of major industrial and commercial projects to a greater degree than is done already? Is it, as the executive says, to get "priority developments" for growth under way; or is it, as the executive also says in its next breath, to be "a means of steering new factories into the areas where they are needed"—chiefly to mop up unemployment as and wherever it occurs? The party is evidently finding it increasingly difficult to straddle between the claims of its industrially-depressed voting strongholds, like Clydeside and Tyneside, and the needs of the growth areas in the East Midlands and further south where it lost support in 1959. It may not be irrelevant, for anyone attempting to assess the strength of the parochial impulses that still command a large segment of Labour thought, that the whole crucial question of Britain's future trading relation with Europe is shunted off more or less as an irrelevancy.

These simmering suspicions of what Mr Wilson's ideas of planning involve in practice are confirmed by the executive's proposals on compulsory land purchase. The essence of the matter must be that land should continuously come forward for development. Whatever attempts may be made to restrain on the large gains got in the process of development, the vital need is that the process shall go on, not be slowed down or held up. As enunciated, Labour's plan for the state purchase of all freeholds where building or rebuilding (above the filling station level) is projected, seems best calculated to interpose the maximum discouragement to owner and developer alike. The proposed Land Commission will first have to pronounce on whether it wants to buy the freehold or not. It will then manoeuvre weightily to fix the purchase price on the criterion of "value for present use," plus just enough to

secure what is disingenuously called a "willing sale." After that it must negotiate with the prospective developer both on the local authority's and the commission's own future cut from his enterprise. It is a reasonable guess that this method of granting planning permission would, under some local authorities, bring about more jiggery-pokery than actual development. It is possible, of course, that Labour's ruminations are not intended to be taken altogether seriously at this stage; after all, less and less has been heard of the great scheme for the municipalisation of housing as the years have passed. But it is not an encouraging prospect.

This type of stragglatory approach to each major problem necessarily detracts from the sound ideas which the executive has managed to put forward in other spheres. Among these would be the demand for a national scheme for apprenticeship and training—if it were given a more precise formulation. As it stands in the document nobody (surely not Sir David Eccles) would be likely to dissent from it. There is everything to be said, too, for a new approach to sickness benefit, both in

making up full wages during periods of brief, normal sickness and also in preventing hardship among families whose breadwinner is unable to work for lengthy periods. There is a worthwhile purpose (and a political advantage) to be attained by following up these lines of social reform. Whether there is as much to be said (after some admirable expressions in favour of greater university development) for lassooing the public schools is another matter. Politically, it is not likely to add any votes at all to the party. The functions suggested for the Educational Trust in overhauling the public school system have been developed from the stimulating educational discussion that is now being conducted, but they are bound to scare away middle class parents who might otherwise consider casting their votes to secure a change of governmental faces. It is disappointing and disconcerting to find, at a time when the Conservative ranks seem bereft of purposeful leadership, that so many of Labour's "Signposts for the Sixties" have simply been furnished up after ten or twenty years of indifferent exposure to the electorate.

Why Trade with Russia?

As communist economies mature, the opportunities for trade with them should grow. This may be not only good business but good politics

IF the Russian exhibition at Earls Court which opens next week teaches the British as much as the British fair in Moscow taught the Russians, it will be a great success. In recent years Mr Khrushchev has done much to break down the curtain of ignorance which blinded his people to the outside world, and today the old communist picture of Russia as a materialist paradise compared with the Dickensian thieves' kitchen of the capitalist world is pretty well exploded. But there is nothing like seeing for oneself. The British fair gave Muscovites a practical chance to compare their own standardised navy-blue undies with the frivolous nylons of the decadent West, and to see for themselves that capitalists, too, can produce impressive machine-tools and scientific wonders.

What do the two fairs mean in practical trade terms? A look at the expanding Soviet economy suggests boundless opportunities. A look at the trade figures, on the other hand, with Russia taking a mere 1 per cent of British exports, shows a different picture. The Eldorado may be there, but explorers often get stuck in the bureaucratic jungle, learning in the process that the role of international trade in the vast planned Soviet economy is quite different from its role in the West. Planning is easier when it does not have to include foreigners, and particularly capitalist ones who will not plan. So the planned economies have tended to cut their trade links with the outside world to the minimum. Lacking, as the planners do, a realistic price yardstick which might tell them when other people make goods cheaper, they have tended to trade abroad only when the goods they want simply are not made in Russia at all. Plenty of old hands in the trade are ready to point out that while trade with Russia may offer windfalls—either when Russian plans go wrong, or when new western products can be offered—it has no assured future.

Yet the temptation to turn away in resignation ought to be

resisted both by business men and by Mr Maudling and his officials, now engaged in a—probably prolonged—series of talks with the Russians. Neither the economic needs nor the mechanics of the Russian system are quite so different from our own as they seem. In the western world one of the most striking developments of the last few years has been the swift growth of trade between the developed countries themselves—between Germany and Britain, for instance; and between western Europe as a whole and North America. The purchase of capital goods, chemicals and industrial know-how, which bulks large in this commerce between mature economies, could prove equally interesting to Russian planners.

True, a good many western business men are worried by the fear that the sale of a new machine will be followed, not by further orders, but by imitation. Yet the sale of knowledge is the backbone of trade between developed countries. What western business men have to do is not guard their secrets jealously, but find a lucrative way of selling them. Nor, in the sputnik age, should it be imagined that the traffic in knowledge need flow one way only. Mr Paul Chambers, the chairman of Imperial Chemical Industries, remarked at the end of a trip through Russia last year that ICI might soon be buying know-how from Russia as well as selling it.

A second look also makes it clear that the Russian economy, for all its inherent differences from our own, has after all its resemblances as well. A society that was supposed to banish inequality has big differentials in earnings. Unemployment, theoretically planned away, occurs just the same. Despite centralised investment the communist economies still have problems of inflation and deflation. Above all, as the Soviet economy develops, its need for flexibility becomes more apparent. When the consumer is hungry for bread and salt, a drive to maximise production may have some advantages. But when his income permits him to hope for a motor car or refrigerator, and his fancy is titivated by the telly and a first taste of foreign travel, the need for a subtler mechanism to equate supplies with demand becomes inexorable.

In capital goods the problem of adapting supply to demand is much less acute. Output of capital goods, which takes a long time and must be decided long in advance, is by nature well-suited to a planned economy. Yet for years Russian industry has been running up against problems due to excessive inflexibility. It may not be too difficult to plan a major steel expansion scheme in advance, but no plan can deal adequately with the varying demand for spares, paint, plumbing and the odd pieces of electrical equipment. In the building trade, as in agriculture, planning down to the last nail does not seem the best way to serve everyday human needs. The sheer complexity of a developed industrial economy is placing an intolerable burden on a centralised administration struggling to fit all the parts together.

Mr Khrushchev began to tackle the problem in 1957 by decentralising. But decentralisation brings problems of its own. If some local king-pin—say the head of the regional economic council in Georgia—concentrates on maximising production in his own locality, supplies to another part of the country may start falling. New co-ordinating machinery has to be set up, and then, perhaps, new overlords to co-ordinate the co-ordinators. In practice decentralisation has not gone far. Only last month a reshuffle of the system was announced.

Pressed by these problems, communist economists have begun, not surprisingly, to turn more and more to that well-tried tool, the price mechanism. All over eastern Europe textile industries have at one time or another found themselves with surplus stocks which consumers simply would not buy. And they have been forced to turn to familiar capitalist weapons—price cutting, advertising and improved design—to boost their sales. Yugoslavia has gone furthest towards a free price system. But Czechoslovakia, an old industrial country with a long export tradition, has also moved in that direction. Local industries can vary their prices to promote sales. The manager of a small state shop in Brno can set up on his own initiative a self-service laundry financed out of profits. In Russia there is less of this, but the price mechanism is already being used in the consumer industries and in agriculture, where it has become plain that only hard cash can extract meat and milk from reluctant peasants.

A POINT can be reached where flexibility may begin to endanger the system as a whole. If prices are allowed to determine output they can in time shift the basic structure of the plan. The search for flexibility inevitably comes up against the basic political precept—that the economy, and Soviet life generally, must be dictated by the state. Yet the more developed the economy, the more varied the range of consumer choice and the needs of the industrial buyer, the greater the need for some sort of instrument to relate supply to demand. The planners themselves are constantly worried by the need to find some sort of criterion for measuring price levels. "After the world revolution," one planner remarked, "we shall keep one tame capitalist country, so that we know what prices to fix."

The Russian planners' search for flexibility plainly has a political significance. In a way perhaps it is the fruit of the political maturity of revolution. Except in agriculture, the local party commissar no longer has to peer over the shoulders of the local managers. The managers nowadays are educated

men who can be trusted to take decisions; and the economy works better if they do. But economic maturity, bringing managers and consumers alike a greater say in what is made and sold, contains in turn the seeds of political change. Power is being diffused. Russian society under Mr Khrushchev is becoming a different kind of animal from Stalin's state.

This evolution is closely related to the development of foreign trade. In Czechoslovakia and east Germany the need for flexibility in exports has been an important motive for giving managers more freedom. In Russia itself, the tail of foreign trade is too small to wag the whole economy, but it can have its influence on trends already at work. The need to keep up with export delivery dates forces managers to hold stocks and to change a good many of their habits. As technologists become better educated and freer, it becomes harder to restrain their interest in products from abroad.

It is against this background of rudimentary, but growing, freedom of choice that trade talks with Russia should be seen. Politically, more trade with the West can encourage the outward-looking forces in the communist world. Economically, the opportunities for foreign trade are growing as the economy matures. There are people in the West who hold that Russia wishes, for political reasons, to keep its foreign trade down to the minimum, but again and again the everyday practice of the Soviet traders refutes this. Of course the Russians will snatch what political dividends they can from the sale of their oil or the purchase of an African crop. But the compelling motive is to satisfy their own economy's insatiable needs.

The limit of their buying in Britain thus seems to be set, not by politics, but by their own sterling earnings. Much, therefore, depends on the success of the communists in selling exports here and on the degree of encouragement they are given. Plainly their most ambitious wishes, like the demand for a guaranteed export market, cannot be satisfied, but restrictions on their exports can at least be sensibly diminished. Oil, the commodity they have in most abundance, has its problems; but strong arguments can be advanced for allowing Russian exporters at least a regulated share of the increment in European demand for oil. Still more valuable for western economies would be the development of a healthy export of Russian capital goods and know-how.

Trade between Russia and the West, like economic co-existence generally, obviously has advantages for the Russian economy as well as our own; that is what trade is for. But in the long run the West can only gain from any process that helps to open the doors of Russia to the breath of change.

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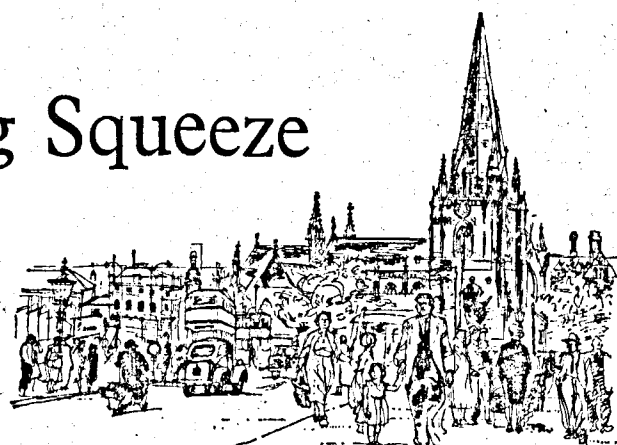
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Birmingham's Big Squeeze

Determined local resistance to planning, a Midlands correspondent believes, is at the root of Birmingham's troubles



THERE is nothing very novel about the land plight of Birmingham and the West Midlands conurbation. The problem has been lived with for so long, as in London, Manchester and Glasgow, that it hardly ever breaks into the headlines. Everyone is agreed that something must be done about it, and, with a few dissentients, that the solution does not lie in further urban sprawl on the periphery. The green belt, although still a legal fiction, will one day be officially confirmed, and the idea is gaining popularity. Those who have thought about the matter would also admit that the cause of increasing congestion is the growth of employment, and that new jobs will have to be restricted.

Why, then, do things appear to go from bad to worse? In the first place, it is remarkable how little factual information is available to confirm individual impressions. It is known that in Birmingham alone there are something like 100,000 houses which were either considered unfit for human habitation at various dates from 1890 onwards (like the tens of thousands of back-to-back houses which are still inhabited) or have a life of less than 15 years after some patching up by the city. Given an average life of 80 years, something like 4,000 more houses ought to be added to the list of unfit dwellings each year. It is known that there are 60,000 families on the recently-pruned housing waiting list, and that more than 10,000 new households are formed by marriage each year. The city is prosperous enough to have a marriage and natural increase rate far above the national average.

The unfit houses are demolished at the rate of 1,000 a year, or one quarter of the rate of obsolescence, apart from the backlog. Only 2,000 new dwellings are built each year (proportionately, at about half the national rate), mostly in the form of flats, and, given poor sub-soil conditions and awkward sites, the costs are enormous. The acquisition of land for redevelopment is equally hit by the shortage of ground: a single square yard in the city may cost £500, and ordinary housing or industrial land within three or four miles of the city centre now costs up to £50,000 an acre.

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Hence the soaring burden on the rates. The annual deficiency on housing account alone is about £2,750,000, of which the rates bear over £1 million. Redevelopment adds another £500,000. The housing loss is rising at the rate of £400,000 per annum, or £50 per dwelling as far as the rate subsidy goes. The Exchequer contributes another £100, and prewar tenants make up the total loss to not far short of £200. If the city manages to build 50,000 new dwellings within its limits during the next 20 years, the annual loss will rise to £10 million. While there was still plenty of land in the dormitory areas, like Solihull or Tettenhall, thousands of families went out annually under their own steam. This outlet is now practically closed. Official overspill schemes are coping with a few hundred families a year and seem to make no difference.

THE industrial problem is also difficult to assess. According to Ministry of Labour statistics the growth of employment in the area since 1955 is well above the national average:

	1955			1960			Per cent increase	
	Men	Women	Total	Men	Women	Total		
Birmingham	407	244	651	426	245	671	4.8	0.4
Conurbation	726	414	1,140	773	423	1,196	6.4	2.1
Mid. Region	1,383	749	2,132	1,443	775	2,218	4.3	3.5
Great Britain	13,960	7,500	21,460	14,370	7,850	22,220	2.9	4.7

It can be seen that male jobs in particular went up faster than elsewhere, although the tailing-off in women's employment in Birmingham itself reduces the average increase. In all, over 10,000 new jobs are created each year in the conurbation. Analysis of the figures by occupations proves that most of the increase was outside manufacturing industry. Board of Trade figures show a considerable amount of new floor-space being built in the area, but much of this is for re-building and seems not to involve substantial increases in manpower.

It is clear that this rise in employment will go on. There are plans for office building (partly on municipally-owned ground, but especially on the Calthorpe estate, and to a lesser extent on Bournville Village Trust land) which are likely to aggravate the position by another 30,000-40,000 jobs in the next few years.

The first basic obstacle to a solution to these problems lies in false civic pride. Birmingham has a "second city complex." (Manchester has recently developed the disease.) There are fears that if something drastic is done, the city may fall below the million mark. This might reduce the salaries of the chief officers and make it difficult to recruit new people. There are misgivings about loss of rateable value. The authorities have invested heavily in flatted factories and property fronting the new ring road and fear that if land is made available outside they may lose on these.

It is symptomatic that Birmingham city council has now refused to take part in a regional conference next Wednesday organised by the Town and Country Planning Association and the Midlands New Towns Society—though most other Midlands authorities are participating. The city's political parties are not divided on the overspill issue. Labour, still in power, fears that the export of jobs may relieve the extreme but profitable scarcity of hands. Nor are the Conservatives, representing mainly the small businessmen, keen; lack of capital and traditional ways of conducting their establishments characterise the local manufacturers.

Typical local proprietors or managers say they are reluctant to move from Birmingham because of their wives' shopping habits and the need to send their daughters to a select day school. (The male attachment to the golf club and lunch at the "Plough and Harrow" is probably just as important.) A lot of nonsense is also talked about "all Birmingham industries being interdependent"—this usually from firms which are, illogically, equally afraid of losing the business of selling something to another firm up the road, either because they may have to move twenty miles outside the city, or because of common market competition.

The most serious obstacles, however, lie in the lack of suitable planning machinery and the pressures which prevent more effective institutions from being created. These are all admirably summed up in the report of the Local Government Commission for the West Midlands Special Review area, published early last month. Proposals for a regional planning authority were strenuously resisted; the commission felt the terms of reference did not permit it to investigate the larger questions; and in the end it recommended only a joint board (composed of Birmingham and the new county boroughs) to deal with the matter. In essence all planning is still to consist of a succession of bilateral treaties, and general strategy will remain in Birmingham's hands.

OF course, there is no planning at governmental level. The regional office of the Ministry of Housing and Local Government closed some years ago. There is said to be some backroom research, but clearly the Ministry is entirely out of touch. After the Wythall inquiry in 1960, when Birmingham tried to get 2,400 acres of green belt land, official policy changed: the facts elicited at the inquiry were new to Whitehall. Only after the refusal of the application did the Ministry begin to investigate possible sites for new towns and large town expansion schemes.

What policies there are at high level are often conflicting. The Ministry of Housing wants to house people and would like to make the Town Development Act work, but this is not possible so long as the Board of Trade insists on sending firms, without their workpeople, to the development areas. Motor-

way policy makes sure that industrial development is ever more centred on the "coffin" and the fringe areas killed even more effectively. (The Ross Spur is a notable exception: a motorway from Wrexham to Hereford is needed now.)

The local authorities themselves lack the planning powers they need. They cannot prevent office employment from rising. When a firm moves out of the area, it sells its vacant site to a newcomer who nullifies the previous move, unless the city can step in and purchase the site in the open market. When a private tenant takes a house at Lichfield under an overspill agreement, his landlord sells the house with vacant possession to a new arrival from overseas.

THERE are obstacles, too, in the potential receiving areas. Often they are controlled by people who look on industrial workers from Birmingham and their factories as an Edgbastonian does on a West Indian vice den. There are people who would let a small old town die on its feet rather than permit alterations or a line of pylons to bring power. Birmingham has negotiated with over a hundred areas capable of receiving people and jobs: most of these talks have come to nothing. One day, perhaps, there will be an explosion, for the human and industrial problems daily grow worse. But meanwhile a powerful array of vested interests ensure that nothing is done. Clearly only vigorous action by the Government can save the situation. Whether this will ever come about is another matter. Why should the Government act when there is so little local pressure?

The Economist

JUNE 29, 1961

THE STATE OF EDUCATION

THE Commissioners appointed to inquire into the present state and the possible improvement of English education have made a report full of important information, and drawn up with singular care. . . . The Commissioners carefully warn us . . . that the instruction at present given is mostly defective in quality, is not given by the best persons, is not given on the most appropriate subjects, is not given in the most efficient manner, is given not to a steady class of habitual attendants, but to a casual class of irregular attendants. Still, after all deductions, the reassuring fact remains—nineteen-twentieths of our children are receiving an education of some sort. . . . The principle of the present system of education is that of aiding and augmenting the contributions and efforts of different localities in a degree somewhat proportioned to those contributions and efforts. The professed rule is that of helping those who will help themselves, and of not helping those who will not or who cannot help themselves. It gives some money towards building schools to those who have themselves other money; it gives a part of the salary of the teacher to those who can find the rest of that salary; it gives under the name of a "capitation" grant a certain fee to all schools which have scholars already. . . . Both the advantages and the disadvantages of this system lie on the very face of it, and are inseparable from its vital system. If you say you will only assist those who are really, truly, and spontaneously exerting themselves, you secure to yourself the benefits of the best co-operation; you secure that your money will be appropriately spent, fairly husbanded, and watchfully superintended; you secure that your money will be expended by the objects of your bounty as if it were part and parcel of their own bounty;—but, on the other hand, you are neglecting the weak to help the strong. You are giving to those who have, not to those who have not; you are conceding to the rich localities where good subscriptions may be expected that which you refuse to poor places where there are no opulent residents,—no person to care for anything but the rent of the houses and of the land,—where the half-pauperised, half-vicious population are left almost wholly to themselves. Such is the inevitable dilemma of the present system: it purchases a great good at the cost of a great evil. Is it wise to do so?

NOTES OF THE WEEK

LABOUR TROUBLES

Confederate Conflicts

LEADERS of the 39 unions in the Confederation of Shipbuilding and Engineering Unions—the “little TUC”—returned to their offices this week to face some awkward in-trays after their conference at Eastbourne. Their first task was to deal with three strikes—involving Smiths Motor Accessories at Cricklewood, Ford Motors at Dagenham, and Cammell Laird's shipyard on the Mersey—which sadly typify the disarray of their movement. The Eastbourne conference, however, suggested that the running fight between left and right wingers in the unions has entered a new phase. The right wing, having emerged the victors over unilateralism, are now growing overconfident on the industrial front, where the left are fighting back.

Thus, Mr Jim Matthews of the General and Municipal Workers, chairman of the conference, unwisely entered the debate on behalf of a member of his own union who spoke from the floor to express dissatisfaction with the existing negotiating machinery in the engineering industry. While almost all the delegates shared this dissatisfaction, there is a variety of motives for the discontent, and an equal variety of solutions. Mr Matthews, by seeming to support his member's private belief in a system of institutionalised arbitration under independent chairmen, merely lined up the majority of delegates against himself. The vote against reforming the existing system was not so much a vote of confidence in it as of dissatisfaction with Mr Matthews.

Mr Carron of the Amalgamated Engineering Union, the natural leader of the moderate trade unionists, also managed to stir up criticism of his personal bias. His first reaction to the strike at Smiths was to imply that its organisers must be a bunch of communists. This remains unproven, and was in any case largely irrelevant (spice being added by the discovery that two of the three strike leaders are Roman Catholics like Mr Carron himself). The most important decision of the conference was to table a new and substantial (though unspecified) wage demand. Since such a claim could lead to a major industrial showdown this autumn, it is all the more important that the cooler heads within the confederation should not gratuitously devalue their influence.

Strikes and Showdowns

THIS week's three major strikes all have the appearance of presaging, in their different ways, a showdown. The smallest, but most depressing, is that at Cammell

Laird's—the site of the famous “who-bores-the-holes” dispute. The same two unions are involved; this time the Shipwrights and the Boilermakers (whose attempts to amalgamate recently broke down) cannot agree on who should get the job of welding some prefabricated plates, and the customary deadlock has been reached. Work on the ship in question has been stopped, and some workers not at all connected with the dispute have been laid off. The TUC, which last year made a vain attempt to persuade the two unions to work out a more rational way of settling their grievances against each other, is to bring them together once more. It cannot be assumed that they will have better luck this time.

The muddy springs of the Smiths Motor Accessories strike probably arise out of the coexistence of a national wage agreement and an acute local labour shortage. Like other firms in areas of full employment, Smiths have paid good wages: the workers now claim that modern equipment has enabled them to increase production, and they want a commensurate wage increase. The company itself might not be unwilling to grant a rise, but, since a national wage claim is at present being negotiated, it cannot do so without upsetting other members of the employers' federation. A compromise formula has finally been evolved, and the factory started work again on Thursday morning. If the union leaders had taken pains to be adequately in touch with the workers, if the management had avoided giving the impression in the past that wage increases were a purely local affair, and if the (communist) regional officer responsible had been more energetic in urging a return to work, the disruption of car production could have been vastly reduced, if not totally eliminated.

The avowed object of the strike at Fords is to protest against the management's declaration that it will not consider a new wage increase until the unions do something more than make pious promises about stopping unofficial strikes. The Dagenham plant has relapsed into near-anarchy, and the men's readiness to strike has been increased by vague fears that the new all-American ownership may get tough. However much a strike might compromise the launching of Ford's new Classic model, the company would do well to stand firm here, since this might even strengthen the hand of the official union leaders. One of the main provisos behind the promises the unions made during their talks with the managers at the Ministry of Labour was that they should be able to win back control

of their own organisations from the unofficial demagogues. But this is certainly not the last of the motor industry's current troubles: the attempts of Rootes to move some work from Coventry to Oxford and of Standard-Triumph to transfer operations from Coventry to Liverpool, are sure to give rise to more tough bargaining that may well be backed up by strike action.

ETU CASE

The Strikers Stricken

MR JUSTICE WINN's marathon judgment in the case of the Electrical Trades Union is an example of laborious mining for hard fact amid a desert of hard swearing. Fraud is held proved against five of those in charge of the union, and the judge was clear that the union, at the material time, was “managed and controlled” by the Communist Party through its members in strategic positions: thirty-eight days of hearings, and an expenditure of some £80,000, were needed to bring to light these facts—which have been common knowledge.

The pity is that the judicial sledgehammer had to be used where an elegant *casse-noisette*, had it only existed, would have served. Mr Justice Winn expressed his sorrow that so much judicial time and public money should have to be spent on inquir-



Mr Haxell: not elected in 1959

ing into the affairs of a body set up to promote the private welfare of those who joined it of their own free will: but, without the persistence of Mr Byrne and Mr Chapple—only two of the 240,000 members of the ETU—its affairs could apparently have continued to be run in this way without any consequences more dire than the occasional tirade on television or in the

press. The TUC's attempts to get at the truth have persistently, and derisively, been brushed off by the union leadership.

The fault lies not just with the ETU's membership—who were after all, as the judge said, well served by Mr Foulkes and Mr Haxell as far as their material progress, welfare and bargaining strength were concerned. It lies with the fact that, even nowadays, the law regards the trade unions as private clubs. They register with the Registrar of Friendly Societies; but this body with the Samuel Smiles name has no powers of supervision over the elections of those inscribed on its books. After he has heard counsel's argument as to relief in this particular case, Mr Justice Winn will prescribe the amount of damages payable to Mr Byrne for being cheated out of his job as general secretary: he will also lay down whether Mr Byrne is simply to be declared elected, or whether the union is to hold a new election, whether or not under the supervision of some outside body. But it is time that a general rule was laid down for the conduct of union elections. It is no longer tolerable that the selection of the leaders of these bodies, which play a role of very real power and responsibility in the state, should continue to be treated in the eyes of the law as though their main object was to provide funeral benefits for destitute pensioners.

EUROPE

Root of the Matter

WEDNESDAY'S back-bench debate on the common market showed that the House of Commons has finally awoken to the magnitude of the decision Britain faces in Europe. Not only were many would-be speakers disappointed in their wish to speak; the House at last turned away from discussing tomatoes and the possibility of an extra tennence a week on the cost of living to consider the vital political choice. Three main objections emerged from that strange alliance of extreme left and right which opposes British membership. Mr Silverman put the most cogent objection—the suspicion that uniting western Europe means dividing Europe as a whole. British policy, he argued, should be devoted first of all to arbitration between East and West; joining a club whose senior members were Dr Adenauer and General de Gaulle was not the way to do it. Others feared that joining the common market would disrupt the Commonwealth. Lurking behind all these doubts is the fear that membership means loss of sovereignty.

The debate also provided a clue to the difficult question of what the strange group of anti-common marketeers have in common. It is, as Mr Roy Jenkins pointed out, “a greatly exaggerated view of our position in the world.” This was startlingly apparent in Mr Shinwell's incredible belief that Britain could supply the bulk of the capital the Commonwealth needs for development. It was also implicit in Mr Silverman's assumption that by staying out

of Europe Britain could in some way bring the two halves of Europe (and of Germany) closer together.

What made two speeches from Europeans of the “extreme centre” (Mr Jenkins and Mr Nigel Birch) impressive, by contrast, was the feeling that they had looked at the realities of power today and done some long-term thinking about Britain's future. It was changes in the scale of economics and politics in the past fifty years that had persuaded the Six of the weakness of the small European state, Mr Birch explained. What sort of role could British policy play in the world—in East-West mediation or anything else—if Britain remained outside the new European nucleus of power and outside the special relationship which would inevitably grow up between it and the United States? What future was there for the Commonwealth if the mother country was not strong in Europe? To Mr Birch the danger Britain faces is of “mistaking memories for hopes.”

Neutral Solutions

THE pull of the wider Europe further east could be felt in the discussions of the Seven in London this week. On the whole, the six smaller members of the European Free Trade Association seem to have accepted the idea that Britain may join the common market. Even the three neutral countries which are reluctant to join are realising that a British move to join may open the way to solutions for the rest. But this bowing to realities does not make the problem of the neutrals any easier in itself.

On paper, a loose association under Article 238 of the Treaty of Rome could link Austria, Switzerland and Sweden to the European community without the tight political commitment they dislike. But these countries still hanker after a broader European association, grafted on to the common market, in which they could have been full members without sacrificing too much independence. The Austrian government, for instance, dislikes being faced with a choice of either joining the common market and committing itself to integration or else being a second class “associate” outside the inner club. Whether they are associated with the community or not, one way of helping the neutrals might be to make the Organisation for Economic Co-operation and Development, of which they are full members, a lively forum.

Worries about neutrality are legitimate enough. Unfortunately they sometimes mask other feelings, still more difficult to satisfy. The small nations dislike relinquishing powers to a body that may be dominated by the large countries. Switzerland even argues that the protection of its agriculture, and its commercial independence, are essential to neutrality in another war. The point will clearly be reached when small countries, like large, have to make some painful choices.

This week, the efforts of Britain's six small partners were inevitably directed to

tying Britain's negotiations as closely as possible to their own. Some ministers suggested joint negotiations. Others suggested that no country should sign a treaty unless all the others could. Britain plainly has an obligation to help the neutrals where it can. However, a point can be reached when too close a tie between the two sets of negotiations becomes absurd. If the signature of a British treaty were held back, say, by the protectionist demands of the Swiss peasantry, not only Britain but the other small states as well might suffer. The neutrals, after all, might get better terms from a community of which Britain was a member. The formula agreed upon this week, that Efta will remain in being until solutions are found for all, “thus enabling them to participate from the same date in an integrated European market,” goes a very long way towards satisfying the small countries. Fortunately, Britain is not pinned down on the actual form of negotiations.

UNITED NATIONS

Less Craven Scruples

THE Foreign Office is to be congratulated on having found out how United Nations voting works. In the House of Lords on Monday, Lord Home made it clear (or fairly clear) that in future the British vote will be cast in favour of a resolution whose substance finds British approval, even if it includes a clause that is objectionable because it implies UN meddling in domestic matters or the desire for an over-hasty emancipation of dependencies. The British delegate will make his objections to the offending clause quite clear, either in the course of voting on each paragraph separately or by giving an explanation of his vote, but will still be able to vote for the resolution as a whole.

Under this procedure, Britain could have supported the UN resolutions that have called on Portugal to mend its ways in Angola. It might even have been able to support the resolution of last July that authorised the sending of the UN force to the Congo. Better late than never. Britain's posture in the world has too often been marred by what Hamlet called “some craven scruple of thinking too precisely.” The tendency to retreat behind Article 2 (7) of the UN Charter, which safeguards domestic jurisdiction, has unfortunately always seemed to be strongest when colonial questions were at issue. From now on, one may hope that nice scruples will no longer force Britain into odd bedfellowship with a dwindling band of diarchs in this respect. No doubt to vote for a resolution whose every word has not won one's whole-hearted assent is morally reprehensible; but it is essential to practical politics, which must needs rest on compromise. How very apt that recognition that the United Nations is practical politics, not a disputation of divines, should emerge in the House of Lords rather than in Another Place.

Mirror Images

IN a book published in Moscow last year, Mr Grigory Morozov devoted 26 pages to demolishing the "anti-people" idea of revising the United Nations Charter. Quoting lavishly from Mr Khrushchev, he insisted that the charter as it stands "contains everything needed to provide effective guarantees of peace," and that "to speak as if some kind of defect in the charter would hinder disarmament means, to say the least, to display elementary bad faith."

On Monday, Mr Morozov told listeners to Moscow radio that the experience of sixteen years "shows that the structure of the United Nations and the articles of its charter must be changed to conform to the changes that have occurred in the world." Mr Hammarskjöld had been "exploiting the imperfections of the charter"; and "to make the UN an effective means of guaranteeing peace, its structure must first be reorganised."

Mr Morozov's heels are not, of course, flailing the air all by themselves; it is Soviet dogma that has stood on its head, in a handstand no less spectacular for being unadmitted. Mr Khrushchev's present campaign is not merely one to oust Mr Hammarskjöld; it aims at revising the charter drastically. This aim was reaffirmed by the dissenting Soviet member of the committee that has just reported on the staffing of the Secretariat, and the anniversary of the adoption of the charter at San Francisco brought out a new wave of Soviet verbiage this week, including Mr Morozov's broadcast.

The "troika" idea—parity between "socialists, imperialists and neutralists," with veto powers for each—is dominant. The uncommitted countries are told that this is in their interest. Yet, a year ago, one of Mr Morozov's themes was their swiftly growing power in the UN, under its existing rules. The troika plan, taken with Mr Khrushchev's now revealed belief that there are "no neutral men," suggests that in fact what Russia cannot stand is the prospect of a UN in which Afro-Asians and other "neutrals" call the tune, as indeed they increasingly do. Their decisions cannot be represented as those of a "western mechanical majority." The Morozov of 1960 wrote—of the "imperialists"—that "the charter is a grave obstacle to their aggressive plans. That is why, not content with violating it, they seek to revise it." Mirror images can be revealing.

COLLEGE OF PSYCHIATRY?

In Search of Status

UNTIL recently, the mental hospitals were treated as the Cinderella of the health service, although about 40 per cent of the total hospital beds are to be found in them. Because of their low repute, and

GOVERNMENT CHANGES

Mini-Shuffle

FACED with what every political theodolite has diagnosed as a bumping pitch, the Prime Minister has passed up one more chance to rejuvenate the top of his batting order. In other fields of endeavour the ministerial changes announced on Tuesday would be read as a sign that the selectors had cast around for new talent in vain. Since this is not the Tories' particular plight, other criteria have clearly determined the choice. In Mr Vosper, to whom the new Department of Technical Co-operation has been entrusted, Mr Macmillan has picked a competent performer with senior ministerial experience behind him. But this is not quite the expansive, "new frontier" image for overseas aid that most people had hoped for from the expected elevation of Sir Edward Boyle. But would the Department of Technical Co-operation have been an elevation from even the Treasury's secondary heights? It seems doubtful whether the new department is meant to have any major importance or initiative.

Mr Godber (Minister of State, Foreign Office), who joined the Foreign Office team only last October from the Ministry of Agriculture, is known to have impressed

because, before the health service was introduced, they were run by the local authorities, with local authority salary scales, they did not attract doctors of consultant status to work in them. Since 1948, when the hospitals were handed over to the regional boards, consultants have been appointed, and, particularly since the new Mental Health Act, the mental health services are becoming more closely integrated into the general health services.

Yet psychiatry still does not have the status its importance warrants. An illustration of this can be found in the table of merit awards for consultants given in a recent parliamentary answer. At the end of last year, 14 per cent of consultant psychiatrists were receiving some sort of merit award, compared with 57 per cent of the consultants in general medicine and 54 per cent of the general surgeons—psychiatry comes, in fact, below all other specialties in this comparison.

These merit awards are additions (ranging from £750 to £4,000 a year) to a consultant's salary, and they are made on the recommendation of a standing advisory committee. The committee consists almost entirely of fellows of the three royal colleges of physicians, surgeons, and obstetricians

his officials in the limited opportunities that have come his way, most notably in negotiating the cultural agreement with the Russians in January. Of the others, the one face that might be identified by a wider public is Mr Fletcher-Cooke's (Under-Secretary at the Home Office), who has performed creditably in the Tory interest on the telly. It is certainly awkward that Mr Alan Green (who is himself a good, sensible choice) should take his first knock at the Ministry of Labour during the motor industry troubles and in the absence of Mr Hare in the Commonwealth touring team. On Wednesday the Opposition's reception to the news that Dr Charles Hill would act as substitute, if required, was nothing less than rapturous. The Prime Minister has not raised Tory morale in the House, particularly among the 1959 entry, by these minor changes. Is something more fundamental, preferably including a new look at the ministerial job structure as a whole, to be expected in the autumn?

and gynaecologists; there is one psychiatrist among its fifteen members. The question of merit awards is not, of course, foremost among the reasons why psychiatrists are now considering setting up a college of their own; the low proportion of awards that comes their way is regarded merely as a symptom, and their chief objective is to raise their status mainly by controlling their own professional standards through their own higher examinations. A separate college is not the only course suggested. The Royal College of Physicians has offered the pathologists (who are also disgruntled, though their status as expressed by merit awards is much higher than that of psychiatrists) a separate faculty within the college, and a similar offer may be made to the psychiatrists.

Psychiatrists are now being asked to express their views. If they opt, by a clear majority, for a separate college, they will then have to decide whether to start from scratch or to raise into a college the Royal Medico-Psychological Association. This body has a long history, and a royal charter, but its traditions and outlook are associated with the old-style mental hospital which is felt by many to be responsible for psychiatry's present low status.



Mr Vosper: uncertain elevation



Mr Godber: diplomatic accent



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LAOS

Ticking Slowly

WHETHER they like it or not, the watches of all the delegates at the international conference on Laos are set to Laotian time. Since the Laotian anti-communists are playing for time, and the neutralists and communists believe time to be on their side, the ticking is inordinately slow. The three princes who represent these tendencies—Boun Oum, Souvanna Phouma and Souphannouvong, in that order—did, it is true, issue a joint communiqué in Zurich on June 22nd, after meeting for four days. But the only concrete outcome of this document, so far, is that Prince Boun Oum's delegation has ended its boycott of the international conference at Geneva.

The communiqué nevertheless repays study. The three princes agreed to form a government of national union but did not name a premier; this appears to be a victory for Prince Boun Oum, who does not want to interfere with the constitutional rights of the king (Prince Souvanna Phouma has nominated himself, and the communists say nobody else would be acceptable). Indeed, it was specifically agreed that the king himself should designate the government, without passing through the national assembly; this part of the communiqué is a concession to the views of the neutralists and communists who contest the validity of the last general election, held in April, 1960.

Elsewhere, too, the communiqué bears witness to tough bargaining. The importance of carrying out the cease fire is recognised (one mark to Boun Oum); the princes agree "not to recognise the protection of any military alliance" (one mark to Souvanna Phouma and Souphannouvong, who do not want Seato—the south-east Asia treaty—to apply to Laos); and the bases mentioned in the 1954 agreements are to be the subject of a special study (no marks all round; the bases are French and the communists want to keep the French out, but are embarrassed by their general desire to support the 1954 agreements).

The proposed government of national unity has not yet been formed. Prince Boun Oum has flown back to Vientiane, to report to the king; and General Phoumi Nosavan, the "strong man" of his government, flew to Washington on Wednesday to explain just how far the government had gone to meet communist wishes. Meanwhile, the Geneva conference has been marking time; it may keep on doing so until the princes get together again.

FRANCE

Potatocracy

LE CANARD ENCHAÎNÉ, the Parisian satirical weekly, carries in its current issue a cartoon showing St Joan whispering to King Charles, who looks very like General de Gaulle. The caption reads:

NOTES OF THE WEEK

"She's sure to be telling him the price of potatoes." This is a hit not only at the French president's insouciance in touring Lorraine at a time when the south-west of France, following Brittany's lead, is in an uproar over agricultural prices, but at his methods of government. A lofty blend of *realpolitik* and mysticism may be sufficient to deal with matters of foreign policy, but to most Frenchmen it seems less adequate to cope with the mundane problems which most immediately interest them, such as housing, education and food. Used as they have been, since 1870, to the *république des camarades* and its successors, they are not used to a regime which ignores minority interests and pressure groups. The great advantage of French parliamentary democracy always was that deputies were willing and able to fix things for their constituents. Now the constituents have nowhere to go, and feel their loss.

The gaullists have dismantled an essential gear of the French, or indeed of any, system of government. The state responds not to all, or too slowly, to the needs and wishes of large segments of the nation. This is partly because everything now depends on one man, partly because his subordinates are mostly mediocrities, and partly a matter of principle. It is a central assumption of the Fifth Republic that the state must be above party, and must pursue the national interest in steadfast indifference to the criticism of the "hostile packs" to left and right. Unfortunately, steadfast indifference all too often looks like simple deafness or incompetence. It should not be necessary for farmers to blockade country towns with their tractors and frighten cabinet ministers with their demonstrations in order to get their grievances attended to. It is even a criticism of the regime that, while declaring, through the mouth of M. Debré, the prime minister, that it would not be swayed by violence, it rushed through measures to deal with the complaints the moment violence raised its head.

Already, in the Toulouse area, there have been anti-regime rumblings. If General de Gaulle wants his constitution to outlive him, or if, indeed, he wants not to outlive it, he would be well advised to modify it, even if this means substituting rule by votes for rule by potatoes.

EAST AFRICA

Poor Relationships

BUGANDA expresses an African personality that has been rejected by the rest of Africa. Led by its feudal monarch, the Kabaka, it is determined to cut itself off from the rest of Uganda, and to keep its system of government as near to tribalism and as far from democracy as possible. As the report presented by the Relationships Commission* admits,

* Report of the Uganda Relationships Commission, 1961. Government Printer, Entebbe.

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Uganda is an artificial creation, a collection of localities, rather than a nation. Yet the time and the continent demand nationhood, and the commission points the way.

It seeks to prevent Buganda, as the heart of the country, from becoming another Katanga. Uganda should, the commission says, be a single democratic state with a strong government at the centre. But Buganda should be in federal relationship with the centre, retaining its Kabaka, his government and civil service, and his authority over traditional matters. Foreign affairs, nationality, defence, police, and taxes must be reserved for the central government; other matters should be legislated for by both the National Assembly and the Buganda Lukiko—the assembly's decisions prevailing in case of conflict. Buganda can choose whether to elect representatives directly to the assembly, or allow the Lukiko to elect them. Three smaller tribal kingdoms—Toro, Ankole, and Bunyoro—would be given a semi-federal status halfway between Buganda's and that of an ordinary province.



This is a lot to offer, and it gives the Baganda a certainty of retaining their identity that was not enjoyed by, for instance, the Ashanti in Ghana. But it is still doubtful whether the recalcitrant Baganda will even attend the constitutional conference in September to discuss the commission's report. They may decide to do so in the hope of speeding Uganda's independence and breaking away after the British leave. The only real guarantee against this would be Uganda's membership of an East African federation.

TOMBOLA CASE

All A Lottery

THE majority judgment by the Law Lords that a tombola or bingo session organised for the enrichment of the Huddersfield Friendly and Trades Societies Club was a lottery unlawfully conducted for private gain has spread alarm and despondency in working men's clubs and has dis-

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turbed those churches and political party branches which have been making ends meet in the same way. *The Times* has now gone so far as to say that the decision was "clean contrary to the spirit" of recent legislation on gaming, which permits small gaming parties "promoted for purposes other than private gain", and which had led 3,000 working men's clubs and unnumbered other societies to the conclusion that they were entitled to draw revenue from a flutter-hungry public.

The taking of money from the public in order to promote what is, in any interpretation, a sectional interest must be seen to be a private gain. If it were not, a lottery open to the public and conducted for the purposes of supporting any organisation, no matter how small, esoteric or even subversive, would be permissible: there might be nothing to prevent the Jones family, say, from raising money in this way for their children's holidays. In this particular context (section 4 of the Small Lotteries and Gaming Act, 1956) the purposes of the society—the definition in the act is very wide—are irrelevant, no matter how admirable. What is important is what is done with the money, and in this case it was used unlawfully for the enrichment of the club.

The club's purposes would have been relevant, however, had the defence been conducted under section 1 of the Act, which permits the use of money obtained from small lotteries "for purposes of a society... conducted for charitable purposes, participation in or support of athletic sports or games or cultural activities, or purposes... not described... and not being purposes of private gain or... of any commercial undertaking." Into the second and last of these categories the Huddersfield club would almost certainly fit, its avowed objectives being "social intercourse, mutual helpfulness, mental and moral improvement and rational recreation", none of which can be taken to be privately gainful. But a society intending to take advantage of this exemption from the general prohibition against lotteries must register itself with its local authority, and must submit returns specifying the manner of the money's use, which must be wholly (after expenses) for the registered purposes of the society. The Huddersfield club had not registered with its authority. Presumably prospective tombola organisers will now have to look into this form of relief.

COVENT GARDEN BILL

Last Chance?

AFTER a stormy and wearisome passage in the Commons, the Covent Garden Market Bill received its third reading largely because MPs had grown bored with arguing about it. The bill would set up a body analogous to the Port of London Authority to run the new market, which

NOTES OF THE WEEK

would be smaller in extent, far better supplied with parking room, and less of a fire-trap than the present rambling set-up. The trouble that the traffic-jammed Londoner sees with all this is that the heavy trucks would continue to rumble through the impenetrable area around the Royal Opera House: the new bill compels the market to remain more or less *in situ*, and out of the reach of railway lines.

On Monday four bold peers—Lords Molson and Hawke from the Tory benches, and Lords Morrison and Stonham for Labour—will try to introduce an amendment in the Lords which would free the new authority to build somewhere else if it finds it more efficient, possibly at the site over the railway at King's Cross, which was at one time strongly favoured by the Transport Commission. This idea was canvassed in the Commons, but was thrown out after Mr Soames had argued that it would open up too many possibilities, and that what was wanted was action. Underlying this argument may have been the thought of the endlessly delaying objections—not least from traders now established in the market—that would have to be considered if building elsewhere were contemplated.

The four peers believe they may circumvent this argument by giving the authorities a chance for second thoughts about the market's site and allowing for future action under special parliamentary procedure—which would mean that the aggrieved could be heard if and when a new site is decided on. This may well be a good idea: the most cogent argument against rebuilding on the Covent Garden site is that nobody can foretell what changes will take place in the system of distributing fruit and vegetables. It might, for instance, be possible to extend the system of buying by sample, which is already practised for imported fruit on the London Fruit Exchange. In that case a market away from the railway lines—and thus unsuitable for bulk distribution—would be a vast white elephant.

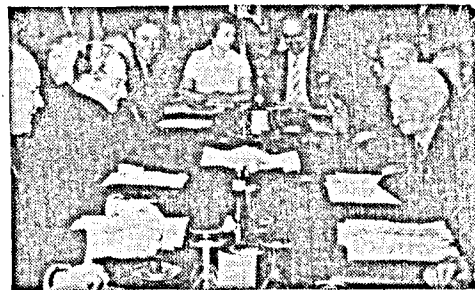
ITALY AND AUSTRIA

Adige Adagio

AUSTRIA's uneasy diplomatic position between East and West has not been made easier by its latest encounter with Italy over the dispute about the South Tyrol (or Alto-Adige). The talks between Herr Kreisky, the Austrian foreign minister, and Signor Segni, his Italian opposite number, in Zürich last Saturday proved abortive and even heated. The Italians claim that they put forward reasonable proposals for greater local autonomy in the disputed Bolzano province; the Austrians regard the offer as ridiculously inadequate. The talks broke down without even reaching agreement on what should be done next.

Both sides, it seems, recognise that the situation in the province is becoming

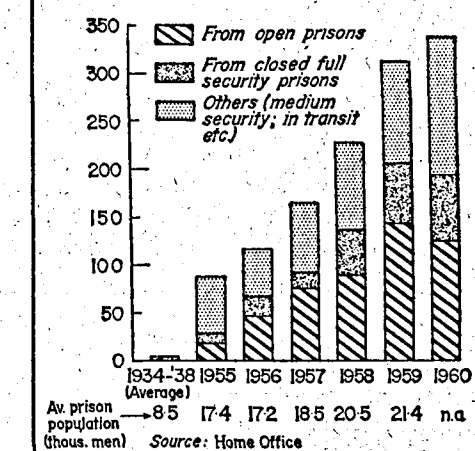
dangerous; and both believe that the calculated acts of sabotage in the last few weeks have been inspired by extremists, perhaps supported by people in west Germany. The trouble is that each appears to expect the other to find a way out. The Austrian government is prepared to renounce territorial claims and denounce local extremists once Italy has taken the sting out of the



Herr Kreisky and Signor Segni: hail and farewell.

issue by granting local administrative autonomy. The Italians, on the other hand, are still reluctant to distribute too much autonomy in case local separatists, like *Oliver Twist*, simply come up to ask for still more. Each government distrusts the other.

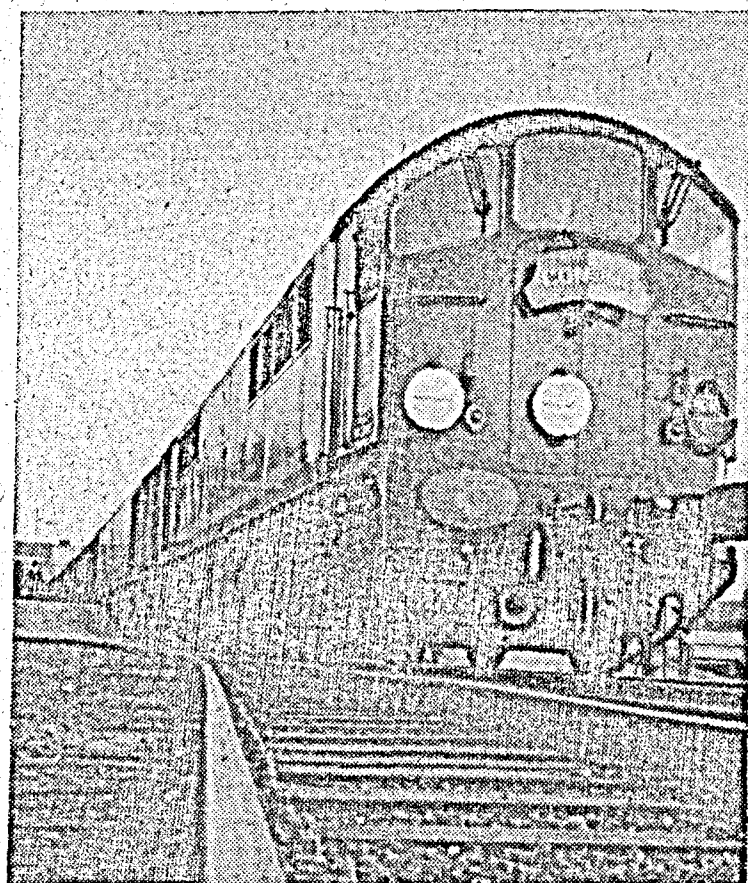
PRISON ESCAPES



Three prison breaks, one a ten-man performance at Wandsworth (1 recaptured), the others by a quartet from Maidstone (3 recaptured) and three from Parkhurst, have attracted attention this week. Seventeen in five days is an unusually high rate, but for the past six years the security in Britain's gaols has been increasingly confounded. Of the 2,100 men in open prisons in 1959, almost one in fifteen managed to escape; in 1955, it was one in ninety. The Prison Officers' Association attributes the increase to overcrowding in the closed prisons, which has necessitated the transfer to open prisons of men who would not ordinarily be considered safe for such a move. As for escapes from full security prisons, the staff, they claim, is simply too small to maintain all the requisite safeguards. If the officers were looking for a way to dramatise their case, nothing could have been more opportune—in the long run—than this gaol-breaking spree.

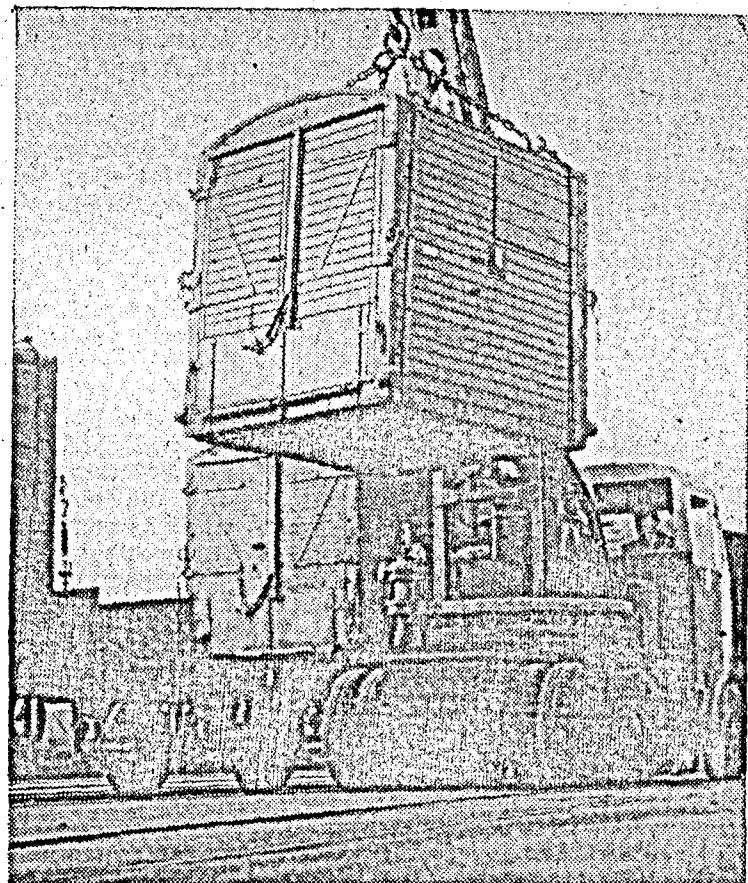
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and, while diplomacy is in abeyance, the initiative passes to the local hotheads. The time may not be far off when diplomatic mediation by friendly countries might be useful and even necessary.

RUSSIA

Good Soldier Nik

It is Stalin's fate to be painted either pure white or pure black. Until his death, he was the leader of genius, the architect of victory in the last war. Now, instead of praise, he gets the blame for the early Russian reverses in the war. The twentieth anniversary of the German invasion last week provided Soviet papers and speakers with a chance to dilate on this new, and equally unbalanced, appreciation of his achievements. And Stalin is not the only victim of the rewriting of history. The conqueror of Berlin, Marshal Zhukov, has also vanished from the list of Russian heroes. But new military reputations are being made. If one were to believe Marshal Chuikov, Mr Khrushchev is a most egregious strategist; he is said to have been the master-mind behind the victory at Stalingrad. The build-up of Mr Khrushchev is not limited to military matters. Russians can now see a film called "Our Nikita Sergeyevich," retracing his glorious road from Kalinovka to the Kremlin. Even man's flight into space was the excuse for a personal tribute, our Nikita overshadowing Major Gagarin as a cosmic explorer. In fairness, it must be said that, where the cult of Stalin was frighteningly byzantine, the lesser cult of Mr Khrushchev

is slightly grotesque.

But more serious notes were struck during the commemoration of the German invasion. Mr Khrushchev once again warned the United States that if it resumed nuclear tests, the Soviet Union would too. He also suggested that Russian expenditure on defence might be raised and the last few years' trend towards smaller armed forces reversed. It will be recalled that, in January of last year, Mr Khrushchev announced a major reform of the Soviet forces, involving a substantial reduction in the size of the officers' corps. Is this important reform to be shelved? Speaking at Alma-Ata over the weekend, Mr Khrushchev reiterated his challenge to the Americans to take part in an economic race. The Soviet economic programme, to be published in the near future, should show whether the Russian runner in this race is to be saddled with a larger military burden.

INDONESIA

Visitor with a Future

NEXT week's Indonesian guest seems bound to become the dominant political figure in his country, but only when the time is ripe. General Abdul Haris Nasution, who will be visiting Britain for the first time, has, perhaps prematurely, been seen as Indonesia's "saviour." He has been credited with the capacity of "saving" the republic from communism, or from administrative chaos, or even from President Sukarno. Such talk is misleading. General Nasution, who has been defence

minister, as well as army chief of staff, since 1959, has often shown that he has a political will of his own; but except perhaps at the time of the mysterious and abortive army revolt of October, 1952, known as the "affair of the colonels," he has been consistently loyal to Dr Sukarno, to whom, indeed, he owes his meteoric rise since the president brought him out of three years of inactivity to make him chief of staff in 1955.

To question General Nasution's desire to seize power tomorrow or the day after, however, is not to doubt his importance in the further future. At 42, he is at the height of his prestige and a national figure in his own right. Only this week, one of the few ex-colonels still in rebellion against the central government brought his men back under General Nasution's orders in Sumatra. Earlier surrenders or cease-fire arrangements, mainly in Celebes, have broken the back of the rebellion of colonels and economists which broke out in February 1958. Much of the credit for these developments naturally goes to General Nasution, who, in addition, can claim the unusual distinction of being *persona grata* both in Washington, where his firmly anti-communist record is well known, and in Moscow, where the general went shopping for arms last January.

Mr Macmillan and Lord Home will doubtless ask their guest what he proposes to do with all these arms, as Mr Menzies must have done when General Nasution visited Canberra in April. For his part, the general, who happens to be the chairman of the "national front" for the liberation of west New Guinea, will want to know whether there has been any change in his hosts' views on the last remnant of the Dutch East Indies empire.

LETTERS

Immigrant Workers

SIR—It is alarming that even *The Economist* can be so blind over immigration. You say "Englishmen find themselves increasingly too fastidious to perform unsavoury or unpopular duties" and, therefore, we import West Indians to do our dirty jobs for us. Will their children allow you to treat them as second-class citizens in this way? Will it be possible to import hundreds of thousands each generation to prevent the fastidious Englishman from soiling his delicate hands? We are taking only a fraction of the Commonwealth's annual increase in population. Will not numbers make restriction inevitable? You also ask "In what way will the tensions of predominantly coloured districts be alleviated?" Surely not by allowing the pressure to grow *ad infinitum*.

In the first five months of 1961 over

40,000 immigrants arrived, as compared with 17,000 last year. It is not merely a question of the West Indies. Their population is 3 million. In the Indian sub-continent there are over 500 million people. The Indian and Pakistani governments have co-operated in keeping down the number of immigrants. Their restrictions are now breaking down. Why should they voluntarily accept restrictions which the West Indians reject? Yet in the first five months 13,400 came from India and Pakistan against 3,000 last year. If the West Indians are entitled to send their 100,000 population increase, why not India send her seven million? Africa is also starting to send her surplus population. Where is it to end? If cold common sense will not appeal to *The Economist*, figures should! The Romans became fastidious and refused either to work or to fight. They imported strangers to do their dirty work—and Rome

fell! In our modern world racialism has not been solved anywhere. What criminal folly to introduce unnecessarily that terrible problem into England. Sir, it is not a question of placating me, but of saving future generations from the racial hatreds that unhappily are bedevilling the life of so many misfortunate nations.—Yours faithfully,
CYRIL OSBORNE

House of Commons, SW1

SIR—Many Birmingham people will read your comments with despair. If the Government imposes restrictions on immigration it will not be to placate Sir Cyril Osborne but because the Government will at last have been forced to pay some belated consideration to the welfare of the ordinary people of Britain.

Housing conditions in Birmingham and other cities are appalling. The number of children coming into the care of Birmingham Corporation does not suggest that immigrants are encumbered by less than the average number of non-working dependants, although they are more ready than our own people to shed these encumbrances.

You have not mentioned that the West Indian birth rate is 60 per cent above ours.

The density of population in England and Wales is now higher than it is in Japan. Even *The Observer* has conceded that housing conditions are serious in some cities; Birmingham is specifically mentioned. Is *The Economist* to go on in the same old way—caring nothing if young English people can have no home of their own for many years?—Yours faithfully,

Birmingham

E. V. ROBERTSON

[An article on the housing and planning problems of Birmingham appears on page 20.]

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SIR—It is interesting to observe that under the provisions of the Rome Treaty "workers will not be able to move from one country to another without a clear offer of a job; once there, they will not be able to switch jobs for at least a year, or change trade or profession for at least three."

Under the existing arrangements for issuing working permits to certain categories of aliens (especially hotel workers) in the UK the Ministry of Labour makes a similar stipulation, but there is no means by which it can be enforced. An employer, having made application and obtained permission to employ a foreign worker, can, on receiving his resignation a week or two after his arrival, either let him go or insist on his repatriation—at the employer's expense.

Many aliens, especially Italians, obtain permits to work in hotels solely for the purpose of entering this country to seek employment. This may be a good thing or a bad thing—healthy competition between employers may be beneficial, especially in occupations not controlled by trade unions—but if it is to be the practice it would be more realistic to admit it than to make regulations which will not be observed in practice.—Yours faithfully,

Bournemouth

J. W. LEVACK

All Liberals Now

SIR—Your article of June 17th is on shaky ground in differentiating between "liberals," who favour British entry into the European Economic Community, and "non-liberals," among whom you choose to list "ardent planners," who do not. I would have thought that the reverse is at least as often true. Economic liberals, including the doctrinaire free-traders of the Liberal Party, do not like one bit the prospect of the Rome Treaty commitments which, indeed, are surely more attractive to the planning cast of mind (having been inspired by such "planners" as M. Monnet) than to the non-planners. Moreover, among supporters of British membership we find such "planners" as Mr Crosland and Mr Jenkins, many left-wing conservatives, the "planners" among the Bow Group, and the Liberal Party, whose younger and more leftist elements (and more inclined to socialist ideas of planning) have compara-

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tively recently swung the party to commitment to British membership, in face of the opposition of its encrusted right-wing.

The Liberals, may I add, were comparatively late in the field. Long sympathetic to European goings-on, they were in fact enthusiastic supporters of the Free Trade Area during 1956-58 and indistinguishable from Tories. During the crucial period of the Rome Treaty negotiations and for some time after their signatures, the advocates of British membership were limited to a few (mainly) federalist lone-wolves of the left, centre and moderate right.—Yours faithfully,

Brussels

ANTHONY MORRIS

1931

SIR—Thank you for the articles on 1931; I was 16 then; "economics" was something my family with an out-of-work father and spasmodically working son practised. It was only chance curiosity and a thirst for knowledge created by my experiences in the war which prompted me to take *The Economist* in 1946.

For 15 years I have been your student yet perversely have remained at heart a socialist. Until I read your articles I wondered why. Now I know, it is the philosophy not the economics of socialism that enchains me. It may not have been a "bankers' ramp" which created the misery of my generation's youth, but it was their refusal to accept a share of the burden of putting the world right.

I accept that they have been ignorant; I see no striking proof that they have profited from the experience.—Yours faithfully,

Tunbridge Wells

W. WALSH

Public Schools

SIR—I have read with interest your comment on the Commons debate on the public schools. There is one point which both the debate and subsequent discussion of it seem to have missed. You are kind enough to say—and I think rightly—that the public schools attract, among other reasons, because they provide an excellent education. You add that the answer to that is to spend money in improving the maintained system. That, up to a point, is true, and something which all of us would wish to see brought about. But it is not often observed that a system which, like the public system, consists almost exclusively of day schools, has its own inequalities. It is bound to tilt the balance heavily in favour of the larger urban areas and against the small town and the country district. It is indeed arguable already that the major inequality in English education comes of not being born in Manchester, London, or one of the other great cities with a wide range of educational opportunity.

It is here that the boarding school comes in. One of the motives for its original foundation was the inadequacy of local educational provision, and many of us feel

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that the boarding school has a function in evening out the inequalities caused by the geographical distribution of the population. How this should be done is a much more difficult question. If many of us regret that so little has been done to implement the Fleming Report, it is because that would have given us some evidence upon which to go. Nor does it seem to me conclusive that there should, as the Minister pointed out, be boarding places to spare in the maintained system. It indicates that the problem has not been solved, not that there is not a problem.—Yours faithfully,

The College, Winchester

H. D. P. LEE
Headmaster

Teachers' Pay

SIR—Your correspondent S. Galin, in your issue of June 24th, states that: "the average wage of a manual labourer today is £14 10s. 8d. a week," and goes on to draw unfavourable comparison between this and the £600 per year offered to the teacher as a starting salary under the new Burnham scale.

Comparisons may be odious, but they should at least be accurate. What he has done is to compare the lowest rate for a teacher with the average wage of a manual labourer (or should it not be "manual worker"?). He would have painted a more correct picture had he made his contrast with one of the lower rates paid to manual labourers.

In the pottery industry, the male labourer (Group M.2), aged 21 or over, receives the sum of £8 6s. 8d. for a week of 42 hours. His annual emolument, inclusive of holiday pay, will amount to £432 14s. 2d., for which he will be at work 2,040 hours.

For his £600 per annum, the beginner-teacher will spend on the job less than 30 hours per week or 1,200 per year.

It is true that the labourer may increase his wage by working overtime—on this rate he will be practically forced to do so—but to bring his wage up to £600 per year he would have to be at work more than two and a half times as long as the teacher.

The increment, which your correspondent despises, is a built-in guarantee that the teacher's salary will double itself in 16 years. The pottery worker has no such guarantee. Any increase in his wage rates in the future will only be secured for him by his union after a bitter struggle with his employers.

The teacher receives his salary even if he is away through illness, but any such absence on the part of the labourer leads to a drastic reduction in his wages. He may also, like many pottery workers, be employed in a dust-laden atmosphere which will render him liable to contract pneumoconiosis. The teacher, at least, will be free from such risk.

Knowing all this, the labourer will be surprised to learn that he is apparently so much to be envied.—Yours faithfully,

Stoke-on-Trent, Staffs

H. STEELE

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BOOKS

Inside and Outside Prison

Time Out of Life

By Peter Baker.

Heinemann. 261 pages. 21s.

Probation—The Second Chance

By John St John.

Vista Books. 280 pages. 25s.

TWO men are convicted of having broken the law. One is placed on probation, is called a "client" and is given the continuous support and advice described in Mr St John's book. The other is sent to prison, becomes a number and is subjected to the process of degradation described by Mr Peter Baker.

Mr Baker was the youngest member of Parliament when he was sentenced to seven years' imprisonment at the end of 1954 after pleading guilty to a financial offence. The length of his sentence seems to have been out of all proportion to his crime, but it has the advantage—for us—that Mr Baker began his imprisonment under what may be called the old regime and ended it after the breath of change had begun to blow. His sentence was served first at Wormwood Scrubs, then in Leyhill open prison and back at the Scrubs again after he had been discovered sending out forbidden letters from Leyhill—a breach of the rules which he continued to commit and which eventually caused him to forfeit some remission.

His book, which—also against the rules—he began in prison, is not very good. It lacks warmth and depth; and the standard of proof-reading is a disgrace to the publisher. The best part is the beginning, where Mr Baker does convey something of the extreme shock suffered by someone entering prison for the first time. Thereafter, his description is all too familiar from other books: the primitive lavatory arrangements; the callous medical service; the tobacco barons; the petty bullying; the serious beatings up. Mr Gilbert Hair introduced many reforms when he became governor of Wormwood Scrubs in 1956; in particular he declared, according to Mr Baker, that the prison was henceforward to be run by common sense, not by the rules. But what about prisons like Wandsworth and Walton (at Liverpool)? Reading Mr Baker's book, one cannot help wondering whether an undermanned prison officers' service would feel so harassed and out of control were the rules and the regime to be rationalised and brought up to date.

That is one reason for reading Mr Baker's book. Scrappy though it is, one can sense from it something of the unnatural, artificial prison environment in

which disturbances seem bound to break out from time to time, especially if the introduction of a more liberal regime clashes with the attitude of staff who believe in the old order and try to maintain it more vigorously than ever. The book also underlines the vast gulf between a prison sentence and a probation order—the subject of Mr St John's study. Mr St John is naturally more objective and detached than Mr Baker. Although he writes with warm approval of the probation service, he is honest enough to record its failings and failures and to point out its unjustified pretensions. For the most part, he describes the work of the probation service, in all its branches, through a series of case histories. Many of these cases are, as offenders, just as bad as Mr Baker's fellow inmates, some may be worse; but it often seems quite fortuitous why the one group of offenders should have been sent to prison and the other not.

In the final outcome, perhaps, this does not matter. Prediction studies seem to show that whether an offender is placed on probation, fined or sent to prison is irrelevant in determining whether he will offend again; it is not the treatment he receives but other factors which determine his relapse or cure. Even so, even though a man may not, after all, be made a worse criminal by the degradation of prison life, he may well be changed for the worse as a person—and so may his gaolers. Mr Baker claims, rather smugly, to have emerged from prison a better man. Others are more likely to emerge brutalised and irreparably damaged in their self-respect. The prediction studies have not made the work of prison reformers superfluous. On the contrary, they still have to insist on the principle that the punishment of a prison sentence should end with the loss of liberty; that the treatment of a man once he is inside prison should be inspired by something of the spirit that informs the probation service outside.

Three Magi

Burke, Disraeli and Churchill

By Stephen R. Graubard.

Harvard University Press. London: Oxford University Press. 262 pages. 40s.

MR GRAUBARD, a history tutor at Harvard, has thought it useful to outline within one pair of covers the career and ideas of three eminent British conservatives: Edmund Burke, Benjamin Disraeli, and Winston Churchill. His sub-title, "the politics of perseverance," indicates what he believes such disparate characters have in common,



Where women are women

I SUPPOSE we all try to imagine what our favourite writers are like. The other week *The Observer* gave us a postage-stamp size portrait of Miss Katharine Whitehorn. The photographer was poised slightly above her head. It looked like a well-groomed chrysanthemum, though I can't see any resemblance between that rather farouche flower and the clear-headed, intensely practical wit that flows weekly from Miss Whitehorn's pen as Fashion Editor. If I were a buyer in a big store I daresay I'd be terrified of her criticism—if I weren't busying myself with taking her advice and rushing off to put it into action.

An example of the cool Whitehorn technique came recently when she put the ordinary clear-headed women's point of view about the mad rush every season to "promote" a fashion colour. "What she is interested in promoting, after all, is herself." Razzle-dazzle wilts before this steely glint of truth.

... and men are glad of it

The whole of the women's section of *The Observer* is rather out-of-the-ordinary, though. Probably more men read it than any other women's pages, for a start. And where else would you find a series blatantly called "Miserable Married Women"? Or a quiet little article called "Teens and Sex" to which many other papers would have given the full ballyhoo. Anyone accustomed to burrowing into snug, smug women's sections is likely to be shaken into doing a bit of thinking.

I can imagine one of those old-fashioned advertisements, headed, "I used to suffer from Sunday Morning Torpor—then I discovered *The Observer*...". It's not only the wit and the good writing and the stimulus—there's a special sort of *humanity* that has something to do with it. It shows in the photographs *The Observer* publishes. They make most other news photographs look as though models were used.

And then when I think of Jennings, and Feiffer, and Haro, and Whitehorn, and Gardner, I realise that there are more things in *The Observer* to make me laugh, and think, than practically anywhere else I can recall. Roll on Sunday! J.B.L. ADVT.

besides mastery of English prose: tenacity in the face of political misfortune, and patience to hold on—for years if necessary—till the balance tilts again. He estimates Burke as a good deal more Whiggish and less Tory than the Burke who has figured in several recent studies; Burke would undoubtedly have called himself a Whig, and a Rockingham Whig into the bargain, and it is as well to have this pointed out. Disraeli, on the other hand, once he had got away from his early radicalism, was eminently a Tory; but we are not shown much of his political activity. Part indeed of what we are shown is certainly mistaken: to say that he “seemed impervious to the new demands which politics made on those who wished to serve the greatly expanded electorate” is much less than fair to the originator of the modern British party machines.

Yet this book is not written, and does not deserve to be judged, as political history pure and simple; political history never is simple, in any case. The book covers the border country where politics marches with literature. Each of the three wise men it discusses has displayed at times a magical command of the English language, and the author, in vivid if sometimes unparseable prose, reviews their books as the key to their actions. Of the three, Churchill suffers most from this treatment. The chapter on him sketches well and clearly his birth into the Victorian governing class, and his journey from Conservative backbencher to Liberal minister and back again through office in the war coalitions; but on Churchill's period of greatness it is weak. Mr Graubard summarises the plots of several of Disraeli's novels deftly, and makes helpful inferences from them about Disraeli's character; but a summary of the plot of Churchill's six volumes on the last great war degenerates into a chronicle of military and diplomatic incident, and the central character's grandeur does not emerge. Unlike Burke, who was nicknamed “the dinner-bell” in the House of Commons because his delivery was so dreary, Churchill has been a consummate orator, an even more splendid one than Disraeli; and an essay on him as a politician with the oratory so played down is bound to seem insipid.

Practical Politician

The Political Philosophy of Jawaharlal Nehru

By M. N. Das.

Allen & Unwin. 256 pages. 25s.

DAS has written the perfect college textbook. He quotes, annotates, paraphrases; he makes no attempt to contribute anything of his own. Anyone who wants to know what Mr Nehru has said on every subject under the moon, from colonialism to equality, will here find his words carefully selected and conveniently grouped. Since Mr Nehru's dicta are so largely obiter, scattered through speeches, autobiography,

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letters to his daughter and glimpses of history, this is very useful for the student who does not want to read the several thousand pages of the sources.

What the student will find, however, is that Mr Nehru, like most great practising politicians, does not have a political philosophy at all. He has no theory of the state, or of human nature, or even of what constitutes the “good society.” He is content to rely on a combination of public school ethics and Fabian objectives. The ends do not justify the means; good government is no substitute for self-government, but, nevertheless, good government is important. The self-importance of Europe is rather tiresome. Colonialism is bad. Violence is not in all circumstances immoral, but is nevertheless generally to be avoided. A hungry man may think more of his stomach than of his liberty. Marx did die rather a long time ago. Occasionally, Mr Nehru's passionate feeling for the poor and the villager burns through the words; once in a way his love for his country rises to eloquence. But that is all. Mr Nehru feels, with John Stuart Mill, that individual liberty must sometimes be restrained in the interests of the liberty of all, and that everybody should have the vote. He does not, therefore, write essays on “Liberty” or “On Representation”; he passes a Preventive Detention Act and puts universal suffrage into the constitution instead.

Mr Nehru has acted a great deal. In thought he has on the whole been content to accept what Harrow and Trinity taught him, with just a dash of Gandhi and rather more than a soupçon of Laski to give spice to the whole.

Short Wavelength

The Writer and Commitment

By John Mander.

Secker and Warburg. 215 pages. 25s.

THERE are two good ways of viewing the sea on a blowy day. One is from the top of Beachy Head, when it seems extensive, elegantly patterned and rather flat; the other is from the thwart of a small skiff, where the horizon is never more than a wavelength away, the features of interest and the relative elevation vary from moment to moment, and nobody could say that life was dull.

Mr Mander's stimulating book definitely falls into the latter class. This is no vast history of commitment, starting with Theognis and advancing through Lucretius, Tertullian, Gildas and Milton. Mr Mander is young, and essentially a man of the present age. Life begins a little dimly in the thirties and only gets into its swing after the war. He is a moralist: he likes authors who have a moral sense which carries through into their works; and among such authors he definitely, though not in the least exclusively, prefers socialists like himself. The book is in fact a set of essays about authors who interest Mr Mander, and as

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such can be defined as committed. They believe in something beyond their own talent and prosperity, and that belief, to a greater or less degree, affects their writing. This is, perhaps, a sufficient definition by extension; and certainly, by the time one is through with the book, one has not a much clearer idea than before about commitment as such or its effect on the writer.

To say this is perhaps to criticise the title, but certainly not to condemn the book. Mr Mander is well worth reading on his chosen authors. He is a clear expositor and a rather orthodox critic. He is a little severe about any deviation from what he thinks the author ought to have aimed at. He approves of purely psychological novels and plays; he approves even more of social and political ones; but both Mr Angus Wilson and Mr Arthur Miller are rebuked for mixing the two. Need art be so much simpler than life? There is a castigation of Mr Auden for having altered his views and his poetry (that dog has surely been whipped enough for changing his skin); a study of Mr Thom Gunn, who is dragged into commitment by his heels, for the very good reason that Mr Mander admires him; and an excellent analysis of the postwar angry and/or working-class drama.

One of the most interesting studies is a rather hostile one of George Orwell, as seen through the eyes of a contemporary socialist intellectual. It contains one terrifying passage:

Works like *Animal Farm* and *1984* will suffer badly in the years to come. Indeed, they appear a little dated even now. We are, after all, pretty sure that *1984* is not going to happen.

Really? Can we learn nothing from Orwell about the world around us? But one must not rebuke optimism.

Citizen Shakespeare

The Life of Shakespeare

By F. E. Halliday.

Duckworth. 258 pages. 25s.

THIS book justifies attention, for it will be much read and, on the whole, does its job serviceably. As the author freely admits, the story of Shakespeare's life can hardly be told without a recurrent use of “no doubt” and “perhaps” and “probably,” but speculation is here kept within the limits of discretion. We have a few records directly relating to Shakespeare; we know a reasonable amount about life in Stratford during his time, and a good deal more concerning London's plagues and politics and theatrical history. Most biographers are led from this into brightly lit conjecture, especially concerning the sonnet-story. Mr Halliday's imagined figure, however, is that of a solid citizen, with a mildly agnostic turn of mind, politically “loyal” and “conservative.” Critical comment on the writings is kept to a minimum: there too discretion prevails, though in the account of the histories and *Coriolanus* some violence is done in order to make the

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plays bear out the biographer's notion of the man's solidity.

A wide public is consistently held in view: there are only four footnotes; the illustrations are attractively informative; recent research and conjecture, particularly from T. W. Baldwin and Leslie Hotson, is drawn on, and Mr Halliday discriminates carefully in referring to Dr Hotson's notion of the Elizabethan stage; a quotation from *The Merry Wives* is silently expurgated. Much information is indeed here offered in an easily digestible form; and most readers will thus extend their knowledge of the external circumstances in which Shakespeare wrote.

But popularisation is rarely free from factual error or the simple assertion of the unlikely. For example, *Tamar Cham* was not identical with *Tamburlaine*; the “harey the vj” recorded by Henslowe in 1592 was almost certainly not the Third Part of *Henry VI*; it is not the general view that *Faustus* was written by 1588; Shakespeare's plays had not “long been almost forgotten” when Davenant revived them in the Restoration; *Pericles* was not printed in the First Folio, though Mr Halliday, by a slip, implies that it was. And though the critical references to Shakespeare are well enough, there is some facile writing in the few references to his contemporaries, as in the flat statement that *Tamburlaine* has “no comedy” and the tiresomely conventional account of the Beaumont and Fletcher drama.

Growth for Grown-Ups

Problems of American Economic Growth

By Bruce R. Morris.

Oxford University Press. 287 pages. 20s.

THIS book has been written to arouse the interest of elementary students and the adult population at large in the problems of economic growth. Though naturally centred on the American economy a great deal of the discussion is relevant for students in other relatively advanced economies and there are useful sections on the growth problems encountered by underdeveloped countries.

An introductory chapter sets out the reasons for studying economic growth and discusses problems of meaning and measurement. This is followed by a chapter reviewing the historical record of economic growth in the United States and the main problems it has produced—business cycles, waste, inflation and so on. We are then given a systematic discussion of the main factors that will influence and determine future economic growth: raw material supplies, population, supply of capital, technological change, consumption patterns, government expenditure and controls. The detailed discussion is clear and comprehensive, though at times somewhat trivial. The author has obviously read widely in the specialist literature and produces a well balanced summary.

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Particularly impressive is his integration of the problems of allocation of scarce resources with the problems of growth, showing that these are not mutually exclusive branches of economics. His emphasis that growth involves costs, economic and non-economic, as well as benefits is also salutary.

The general reader may, however, find himself somewhat bewildered by the enormous range of growth “problems” that Mr Morris uncovers. This is inevitable, since scarcely any aspect of applied economics has no bearing on the question of growth and Mr Morris allows none of the fish to escape his net. Business cycles, inflation, insecurity, monopoly, large versus small business, private versus social costs, and so on, all come up for discussion, all relevantly, but perhaps reducing the impact of the analysis of really strategic factors in growth.

The very general approach adopted by the author, together with the fact that he is, explicitly, not writing for the advanced reader, makes the final result unexciting, and this may hold even for the general reader. We are told that American growth potential is great, that there is no reason why growth should not continue at past rates, or even accelerate, provided the correct policies are adopted to deal with the many relevant problems. In his summary chapter the author concedes that “many avenues toward growth were pointed out, but no guides as to which to attack first or most vigorously were laid down.” He can “recommend only the general principle of concentrating on the few most vital factors stressed by those who have devoted their attention to this matter.” If the final prescription seems rather tame Mr Morris can at least claim that he has supplied a “do-it-yourself” kit for the production of a more powerful analysis, and the lists of further reading that follow each chapter will prove extremely helpful to the aspiring student.

OTHER BOOKS

SCIENTIFIC RESEARCH IN BRITISH UNIVERSITIES 1960-61. Department of Scientific and Industrial Research. HMSO. 513 pages. 32s. 6d.

The DSIR's annual directory indexes all research in progress at British universities, both by subject and under the name of the scientists responsible for carrying it out.

THE FEDERAL RESERVE SYSTEM. Edited by Herbert V. Prochnow. Harper, New York. London: Hamish Hamilton. 407 pages. 52s. 6d.

This is an account, almost entirely descriptive and historical, of America's central banking system as it approaches its fiftieth year. Each chapter is written by an expert, from the Federal Reserve System itself, from the financial community or from the universities. No effort has been made to iron out all differences of opinion, but the editor has succeeded in securing a well-rounded picture of the institution at the present time; proposals for changes are also discussed.

REGIONS, RESOURCES, AND ECONOMIC GROWTH. By H. S. Perloff and others. Johns Hopkins Press. London: Oxford University Press. 739 pages. 96s.

WELFARE IN AMERICA. By Vaughn Davis Bornet. University of Oklahoma Press. 319 pages. 40s.

Mr Bornet, who is a member of the staff of the RAND Corporation, discusses the future of voluntary welfare work in the light of the immense increase in governmental responsibility for welfare, the rise and decline of the united funds (which tried to channel all giving through centralised groups) and changing needs.

CHATTO'S MODERN SCIENCE DICTIONARY. Compiled by A. Hechtlinger. Edited by W. P. Abbott. Chatto and Windus. 559 pages. 25s.

1001 QUESTIONS ANSWERED ABOUT THE NEW SCIENCE. By David O. Woodbury. Harp. 313 pages. 15s.

There is a famine of good science dictionaries on this side of the Atlantic. Both of these are English editions of books that first appeared in the United States two years ago. Mr Woodbury's is by far the less ambitious but not to be despised on that account. He is only interested in novelties, but these, after all, are the aspects of science that make the layman reach for the nearest directory. When Mr Woodbury has the answers, he is very good indeed; but he does not have them all the time. He does not, for example, appear ever to have heard of masers. But, then, nor have the compilers of Chatto's dictionary, although Van Nostrand's massive Scientific Encyclopedia carried sections on them early in 1958. It could be argued that the encyclopedia costs ten times as much as the new dictionary, and that the dictionary does not, according to its fly-leaf, “aim at comprehensiveness” although it includes 16,000 current scientific terms. This raises once again the question of how far it is worth sacrificing comprehensiveness to price in a reference book. If the compilers can find room to define “flatulence,” should they not have squeezed in a few lines for the “tunnel diode”? And surely no dictionary that includes “Fletcher's trolley” should omit “Reynolds Number.”

The Economists' Bookshop

Conan: The Rationale of the Sterling Area

Texts and Commentary. July 6th

21/-

Hague (ed). The Theory of Capital

I.E.A. Conference Papers. July 13th

50/-

Allen (G.C.): The Structure of Industry in Britain

A Study in Economic Change. Autumn

about 11/6

Peacock and Wiseman: The Growth of Public Expenditure in the United Kingdom

Winter 1961-2

about 30/-

Postage extra to prices quoted
11-12, Clement's Inn Passage,
Aldwych, London, W.C.2.

HOME REPORT

In HOME REPORT members of the editorial staff and local correspondents report on life and happenings in and around Britain.

Edinburgh's Empty Seats

FROM A CORRESPONDENT

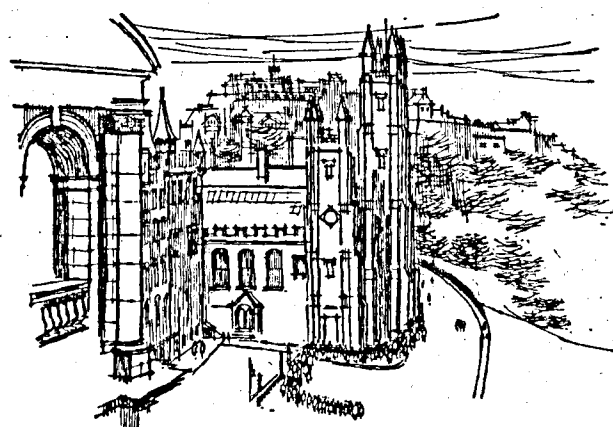
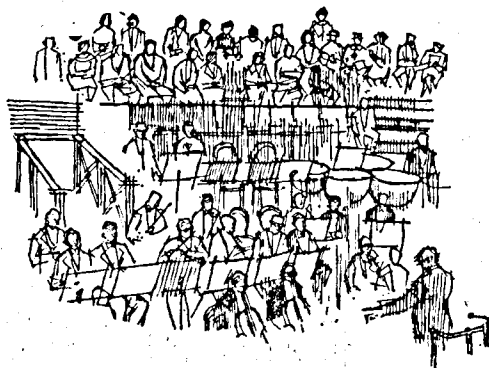
WITH the advent of summer, the season of international festivals is once again upon us, and in Edinburgh the citizenry looks forward, bleakly or hopefully, to the approaching cultural invasion of August. Edinburgh's gallimaufry of music and the arts (now activated by Lord Harewood) is by no means unusual: there is scarcely a thriving tourist centre anywhere in the western world that has not augmented its seasonal revenue through investment in a local festival.

Of the larger festivals, that of Salzburg has perhaps served as the model for burghal enterprise, drawing as it does upon three vital resources: the ambience of an historic and picturesque city and an audience potential of three million who throng the holiday resorts of the Salzammergut every year despite the capricious climate; the native talents of the Vienna State Opera, the Vienna Philharmonic and the Burgtheater, who provide the artistic backbone of the festival; and established annual state, provincial and civic subsidies totalling just under £300,000 to meet the overheads of the weeks of preparation and rehearsal and the inevitable deficiency on the operatic productions.

This subsidy is in fact nearly half the annual Arts Council subsidy to the Royal Opera House in London, and, if it seems extravagant, it should be borne in mind that the standards which have resulted have given the city of Salzburg an average annual revenue from American visitors alone of more than \$5 million, while last year the estimated gross revenue from all visitors to the Salzburg festival exceeded £8 million, of which 72 per cent represented an income to the Austrian national exchequer from foreign tourists.

In broad financial terms, the Edinburgh festival has, since its inception in 1947, proved a salutary, if not quite a comparable, success. The gross revenue to the city and to the country as a whole is estimated at between £30 and £40 million over the fourteen years, of which 40 per cent is the revenue from foreign visitors—a very high percentage bearing in mind the Edinburgh burgesses' reputed attitude to strangers. Subsidy to the festival over the same period has totalled about £650,000, and the accumulated deficit at present stands at just over £90,000, including a substantial proportion of fixed assets, which is now borne on a bank overdraft.

In so far as money has been made available for investment in the arts in Britain, donations to the Edinburgh festival have not in fact been illiberal; that the festival is now an established international attraction shows clearly that, for their immediate purpose, they have been adequate. To the initial fund of just over £61,000 established in 1947, of which the Arts Council, Edinburgh corporation and local business contributed approximately one third each, the corporation made an annual contribution during the first ten years of £15,000, which was increased to £25,000 in 1958, and this year



is to rise to £70,000. Arts Council contributions have risen steadily from £3,000 in 1949 to £15,000 in 1960, while since 1949 Edinburgh businessmen have contributed sums varying from £10,000 to £17,000—a relative withdrawal of private enterprise.

Gross annual expenditure has risen steeply in recent years, from £85,246 in 1947 to £246,040 in 1960, while income from the box office has also risen, though less sharply, from £64,246 in 1947 to £164,634 in 1960. Donations last year totalled £66,500, including £8,000 from the Scottish Command, being half its net profits from the regular military tattoo before Edinburgh Castle, and this shows no substantial increase over the contributions for the initial year; indeed, donations represent only one-fifth of the amount given annually to the Salzburg festival, from a nation with over seven times Austria's population.

SALZBURG and Edinburgh, and their climates, possess more than a superficial resemblance, and if he does not have the flair for hospitality which is the Austrian's birthright, the canny Scot is swiftly adapting himself. As the British tourist industry grows, the potential foreign audience for the Edinburgh festival is not so far removed from that for Salzburg. The general repertoire covered by the two festivals is also largely similar, although in Edinburgh the more cosmopolitan nature of the artists engaged is an equal attraction to Salzburg's use of largely indigenous talents—if not a greater.

The fundamental difference between the two festivals is two-fold, and in the long term view, both these factors point to the present root weakness of the Edinburgh festival and British music as a whole. The first factor is the vast difference in the amount of subsidy which each festival receives; and the second is that, while all the main events at Salzburg play invariably to a capacity audience—tickets are, in fact, at a considerable premium—ticket sales at Edinburgh last year amounted to only 74 per cent of capacity: of approximately 266,000 available seats, nearly 67,000 remained unsold.

This is not alarming, but it does account for the accumulated Edinburgh deficiency over the years. In 1960 full capacity audiences were achieved in the five concerts by the Leningrad Symphony Orchestra, whose programmes consisted largely of contemporary Russian music; and also by the Royal Ballet, giving two programmes which included no work earlier than Stravinsky's

"Petrushka." The Gateway Theatre achieved 97 per cent capacity with Bjørnsen's "Mary Tudor in Scotland," which undoubtedly excited more local interest than other items in the festival; and the Glyndebourne Festival Opera, in a far from popular programme of operas which included two contemporary works, secured 91 per cent. Other audiences, however, ranged from 85 per cent for the Glasgow Citizens' Theatre to as low as 45 per cent for the Little Ballet Troupe of Bombay and 32 per cent for La Compagnie Roger Planchon.

Opera and ballet, with their very large overheads, always require a subsidy, and it was inevitable that the Glyndebourne company, whose engagement cost £47,000, had a box-office deficiency of £24,583 despite the high attendance figures. The Usher Hall concerts, on the other hand, with their low overheads, made an overall surplus of £6,725 with an average attendance of 83 per cent. Deficits or surpluses, however, give no accurate picture of the broad financial success, to the festival as a whole, of individual enterprises, which is really to be measured by the extent of their patronage; and it is significant that the three items which maintained the highest percentages of attendance—the Royal Ballet, the Glyndebourne opera, and the Leningrad Symphony Orchestra—were the three which certainly possess an international reputation.

The immense subsidy which the Russian orchestra receives (it

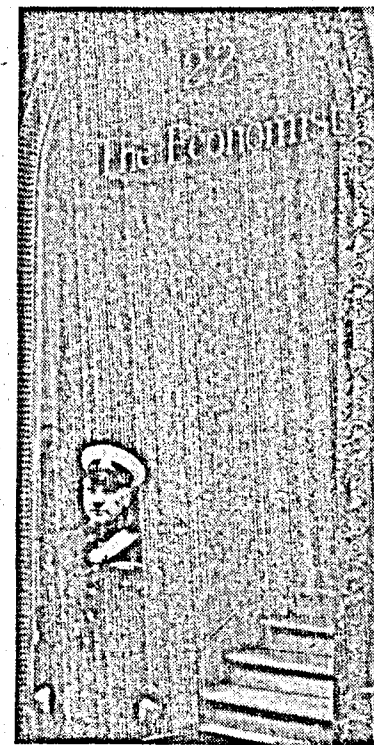
Non-Commissioned Custodians

FROM OUR SPECIAL CORRESPONDENT

TO bow the managing director to his Bentley, to "win" an extra filing cabinet for a harassed secretary, or to wean the office boy from his habit of whistling on the stairs, there is nobody like the British commissionaire. Rounded out by innumerable mugs of tea, their bemedalled breasts bring to the motor show or the evening dog track a touch of military dignity: every male, under those searching glances, is on his best behaviour.

Three organisations—the Corps of Commissionaires, the United Services Corps and the Royal Artillery Association—enroll these sturdy veterans; while all three are of unimpeachable respectability, the original Corps of Commissionaires, set up after the Crimean war to provide jobs for disabled veterans returning to a nation in slump, remains the *corps d'élite*. Its commandant is a great-great-nephew of the founder (a brother of the third of the John Walters who ensured that the nineteenth-century *Times* newspaper deserved its soubriquet of Thunderer): the Queen is Chief Life Governor, and—a post he kept when he left the Throne—the Duke of Windsor is Life Governor. The Board of Governors can boast a Field Marshal and a Marshal of the RAF, seventeen officers of general or equivalent rank, and seven members of the Walter family. It is a powerful tradition.

The 4,628 commissionaires are all ex-regulars, mostly ex-warrant officers or NCOs, and all left their service with an "Exemplary" or "Very Good" character. Just a few rose to become officers. On entering the corps they pay £1, and each month subscribe 31s. towards the corps



expenses and to the fund which provides their immaculate black uniforms with the gleaming leather cross-belt. New recruits must also deposit £10 in the corps savings bank. The bank was originally intended to provide a nest-egg against retirement, but with increased prosperity and the growth of other means of saving deposits are now limited to £50, to relieve the corps of the burden of administering a vast fund.

The corps, however, is not an employer but an employment agency. Pay and condi-

tions are worked out between the man and the firm which asks the corps to send a candidate along: the corps' uniform must be worn, and the firm must make a small subscription to the independent fund which pays the salaries of the corps' twelve officers.

A wage of £12 a week is about the minimum in London, and many employers also pay the men's corps subscriptions and uniform levies. Duties may range from the purely ceremonial (the doorman at the Institute of Directors is reputed to be seven feet tall) to the utilitarian—Rolls-Royce employ 50 commissionaires on security duties. Many commissionaires also make an extra pound or two in the evenings or at weekends, at exhibitions or race meetings, or as doormen in theatres.

On joining the corps, the new recruit wears the insignia of the rank with which he left the service: he may be promoted within the corps according to his employment record and the number of times he turns up for the annual ceremonial parades. Service rivalries, of course, persist and provide food for the members' own *esprit*; navy men claim that the ex-sergeant majors are good for nothing but shouting and stamping, while others allege that ex-petty officers are a menace to typists. But the army is heavily in the majority: in 1959, 432 joined from the army, against 128 from the navy, the marines and the RAF.

LAST year, only Edinburgh, Leeds and Liverpool of the nine provincial headquarters had members for whom they could not find jobs. The corps has at times been sorely tempted to admit former conscripts to membership, so great is the demand for

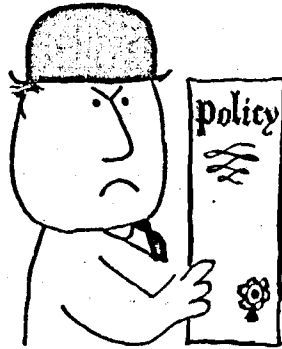
their services. Full employment means that—with profound tact—the corps can make sure that its men only work for firms of the utmost respectability, and that they do not find themselves lending a spurious gloss to strip-tease joints: it is a far cry from the days when this was a rescue opera-

tion for destitute old soldiers. The danger now is that, as the army gets smaller and retirement gratuities get larger, the scarcer veterans will turn away from the continued joys of a smart uniform—and of a much-respected status—and set up in business for themselves.



Motorists' Knock

FROM OUR SPECIAL CORRESPONDENT



Nobody can blame the insurance companies of Britain—or at any rate those of them who are members of the Accident Offices Association—for wishing to increase their premium rates on motor car risks which, they say, are the only ones which regularly end in disaster and red ink on the balance sheet. The average motorist, however, will continue to blame the companies and to consider that, unless he is involved in a really damaging accident every year, he is not getting his money's worth.

The problem is obviously worse in congested areas. A car being used in London is extremely vulnerable, and may cost twice as much to insure as a similar one in a rural area. It will soon cost more—up to 20 per cent more within the London postal district. This selectivity is fair enough. What is not so fair, in the opinion of the motoring organisations, is that there is very little discrimination between good and bad drivers on the part of the companies, so that the careful, skilled driver is undoubtedly paying for the sins of less accomplished road-users.

Naturally there is some reward for careful driving, in the form of an annual reduction (usually ten per cent) of the premium provided there have been no claims against the company. Unfortunately this process is not indefinitely continuous: 40 per cent is the normal maximum for no-claims bonuses, and at that rate the motorist is still paying, in absolute rather than relative terms, a great deal for the privilege of covering minor damage. After five accident-free years, for instance, the average small British car would have cost about £150 in insurance—and only a really savage "prang" would cost as much to put right. A bad driver, on the other hand, might have paid £200 for those five years and have cost his insurance company as much as £100 a year; which is why insurance companies lose money on cars.

The good driver of a small saloon is in a happy position compared with the owner of even the mildest or oldest of sports cars. For some reason not unconnected

with flaming youth in red two-seaters, insurance companies see all sports car drivers as hell-bent demons at full throttle: and annual premiums on this type of car may be as much as 20 per cent of the insured value in London. It is difficult to see how a company could lose, except by a write-off, after the first two years. (Journalists, too, are apparently thought of as drink-crazed maniacs remorselessly speeding after scoops.) Not only is the premium high. No cover is normally allowed to the car's passengers, and the owner must agree to pay the first part (often £50) of any claim.

No-claims bonuses are often lost through no fault of even the best of drivers. In any accident in which blame cannot immediately be ascertained, both parties naturally claim that they were in the right. In an ordered world their respective insurance companies would argue the case, taking it to court if necessary, and the guilty party's company would pay the costs of both. It is not, however, an ordered world, and on receipt of a claim, it is the practice for an insurance company to pay up promptly, avoiding litigation, almost certain to get its money back after the next accident, but penalising whichever driver was, in fact, in the right. This is known as "knock-for-knock".

Yet the no-claims bonus seems the fairest way of spreading the burden of insurance costs, and the motoring organisations encourage it. Its great drawback is that it is not large enough to make the process of insurance both economic and an incentive to good driving. But there is some hope of improvement: members of the Institute of Advanced Motorists are usually able to get much larger reductions by way of the bonus. Perhaps the eventual answer will be swingeing premiums (£200 a year would not be too much for some London drivers) and a sliding scale bonus which relieved the careful driver of all but 10 per cent of his premium after five safe years.

BBC Takes Soundings

THE BBC has not, until lately, been a notable blower of its own trumpet; but the possibility of the award of a third and subsequent television channels to blatantly non-Reithian organisations has ended this modesty. The latest coy lifting of the bushel under which its idiot's lantern has been hidden is *Facts and Figures about Viewing and Listening*,* which, though professedly unconnected with anything the Pilkington Commission may be thinking, comes at a clearly convenient time. BBC-TV, with 24.6 million viewers in the average day, is said to be 2 million better off than ITV (and this gap has tended to widen). ITV's viewers, however, spend longer at their sets than the BBC's: and there are more of them at any given moment of the day. But there is apparently a limit (under 13 hours a week) to the amount of time even they can bear the burden and, according to the BBC, this limit is not likely to be raised by starting another channel.

BBC-TV is apparently preferred by 50 per cent of those whose education went on until the age of 17 or longer, ITV by only 37 per cent; on less cultured minds who left school at 15 or 16, ITV (52 per cent) makes a more favourable impression than BBC (30 per cent); and among those who learnt nothing after they were 14, ITV is more than three times as popular. The first group, however, constitutes no more than one-tenth of the population, and the last nearly two-thirds.

Little of the survey is devoted to sound broadcasting, and what there is is depressing. In the past ten years sound has lost 75 per cent of its evening audience, but only 25 per cent of its daytime audience, when TV is off the air. That these and the total patronage are the only significant figures given about sound radio will add further unease to those producers and listeners who believe that sound, if not now dead, will not be long a-dying in its present form. The BBC's plan to operate small, daytime "local" stations, on the other hand, may gain support from these figures.

The purpose of the survey may, as is claimed, be purely to feed the interest of experts on broadcasting. But its superficially convincing arguments for the BBC's worth, its respect for quality, and the unlettered following for ITV are hardly fortuitous. As if to clinch it all, mere numbers, according to the BBC, are meaningless (as, by implication, is TAM rating), for it has found that an audience of 6 million need not necessarily like what it sits through. Could this possibly be special pleading?

* BBC Publications. 5s.

AMERICAN SURVEY

Caution on the Brink

WASHINGTON, DC

EVERYBODY has been waiting for the American President to speak again. All comment, all official planning, all inter-allied negotiation have had a contingent air because it was evident that Mr Kennedy would soon be rising from his bed and his crutches and facing the television cameras anew. Nothing underlines so clearly the supremacy of his position, as the Chief Executive of the United States, as the leader of the western alliance and as the antagonist of Mr Khrushchev, with his uniformed and bemedalled militancy, in a drama that in personal confrontations takes the classical Greek simplicity of form. The ultimate decisions can come only from Mr Kennedy. On Wednesday he presented himself, erect, hale, forceful, breezy at times, prodigal of statistics and impervious to the probing of the press—much his usual self but looking a little older and a little sterner.

The President said nothing that had not been said before by members of his Cabinet. He refused to be drawn into extremes; he took a "firm but not belligerent" attitude; he restated the determination of the West to stand on its rights but declined to give Mr Khrushchev any clues to future American policy. The President has not yet made up his mind on that policy; nor has he yet made up his mind on the equally important question of how it is to be timed. He is still at the stage of taking advice on the two related issues which face him—Berlin, which overshadows all else, and the intertwined question of resuming atomic tests and organising the disarmament conference.

If this seems a long process, allowance should be made for two considerations. Mr Kennedy was blamed for not taking enough advice before he allowed the plans for the Cuban invasion to go beyond the point of no return, and an extensive if straggling public and private debate is the American way of agreeing on great national issues. The President's advisers, official and unofficial, are, like his allies, divided into two broad central groupings, with extreme elements on either wing: those who oppose any negotiations with the Russians, or at least any that carry a hint of concessions on western rights; and those who would agree to some. Many in the "tough" group would also favour prompt resumption of atomic testing by the United States.

They argue that the *status quo* in Berlin is the most favourable position for the West just because it sticks in the Russian throat; they see no advantage in changing it. They see every advantage in the "escape hatch" in Berlin which drains the lifeblood from East Germany; and they want to challenge the Russians to sign a separate treaty with the East Germans. Above all, they fear that any retreat would destroy the western alliance's belief in itself. Mr Acheson, to whom the President inclines and who is preparing a report on the Berlin situation, is believed to take this line, as do General de Gaulle and the West Germans.

The other group believes that an American refusal to discuss, or even a resistance to discussing, an issue which could detonate a thermonuclear war is no way to maintain the unity of the alliance, or to preserve the freedom of West-Berlin. They fear that the

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

neutrals would be antagonised if the threat of war over who should stamp the documents of those travelling to Berlin were brought to the United Nations. They consider that in such a matter it is impossible to refuse to talk, especially when the Russians want to talk, and that the United States would inevitably be dragged to the conference table. But even this group is very "hard" on no concession being made on western rights; even a suspicion of "softness" brings vigorous opposition.

A fortnight ago Senator Mansfield, who is the Democratic leader in the Senate but was speaking for himself, unearthed an old idea of his for uniting both East and West Berlin in a free city under international control—not knowing that Mr Khrushchev had ruled this out to the President in Vienna. Mr Mansfield was attacked for dooming Berlin to the fate of Danzig by a group of Republicans led by the liberal Senator Javits. The supposed tendency of the British to make concessions is no less unpopular, and it is thought rather snaky of them to press the question of military measures as a way of forcing American policy into the open.

Official Washington, like the newspaper columnists, is convinced that Mr Khrushchev must be bluffing. Notwithstanding Russian arrogance (displayed in the preliminary disarmament talks last week), Americans cannot believe that he will risk war over Berlin, or even give irrevocable control of the trigger to the East Germans. They draw attention to "fuzzy" points in Mr Khrushchev's *aide mémoire*, to the hints reaching the White House in devious ways that the Russians are ready to postpone action, if only some sort of talks are started by the end of the year, if only the West Germans are not given nuclear warheads, and to Mr Khrushchev's avoidance in his latest speech of the six-month deadline that might be taken for an ultimatum. They see the whole affair in the light of a big business game of bluff, counter-bluff and double-bluff. In their view Mr Khrushchev has to bluff his East German allies into thinking that he means to ease, at any cost, their desperate plight, and bluff the Chinese people's warmongers into thinking that he is ready for the annihilating war that would hand the leadership of world communism to them. Some officials believe that one condition of any talks will be the closing of the Berlin escape hatch. Others argue that the Russians see in the whole crisis a means of diverting American attention from constructive foreign policies elsewhere in the world.

THE President's reaction seems to be to play it slow; to spend the next months stiffening allied unity and educating the public to believe that what the Russians want is not Berlin, but the liquidation of the West. The reply to the Russian *aide mémoire* will probably be issued soon after the national holiday on July 4th; later may come a lengthy White Paper giving the western case to the world (unless this is incorporated in the official reply). Bargaining positions would not be taken up until after the West German elections and the Communist Party Congress in the early autumn; then the annual United Nations Assembly would provide a world forum for arguing the rightness of the western case as well as for castigating Mr Khrushchev's thermonuclear threats, the Russian torpedoing of the test ban conference and any difficulties which the Russians make over disarmament. Only in late autumn would the West consider trying to get the Russians to back down, or to start the stalling talks that would put Berlin into a condition of permanently suspended crisis.

Though the President declined to be quoted publicly on the subject, it is conceded privately that American words must be backed up by military preparedness. Here, however, the military planners are in a quandary. The voluminous contingency plans provide for only limited "probes" of blocked access routes to Berlin before nuclear weapons are used; and for this the present forces of the North Atlantic Treaty Organisation are adequate. But to impress the Russians something positive must be done; the difficulty is that they could overtop any strengthening of American forces in Europe easily by moving up more Soviet divisions. Flying a division of the strategic reserve forces to Bavaria, though it may be done, would be little more than a gesture. The Russians can outbid the West on conventional arms; from this military fact emerges the conclusion now being studied in detail in the Department of Defence: that the only moves likely to impress the Russians are preparations for thermonuclear war.

These fall into two parts: the easier part is to increase the state of alert in the Strategic Air Command and the British Bomber Command (which will certainly be expected); the harder part is to put civil defence into a credible state of readiness. The broad plan is to do all that can be done with the resources available in the next six months: this would exclude deep shelters, since they could not be built in time, but fall-out shelters could be made ready and stocked with food, water and medicines; instructions on fall-out and survival techniques could be distributed to the civil population; the organisation for dealing with catastrophes could be overhauled and some exercises in evacuating cities carried out. But all this would require a massive appropriation from Congress at once and this would heat up the crisis atmosphere faster than is envisaged by present plans.

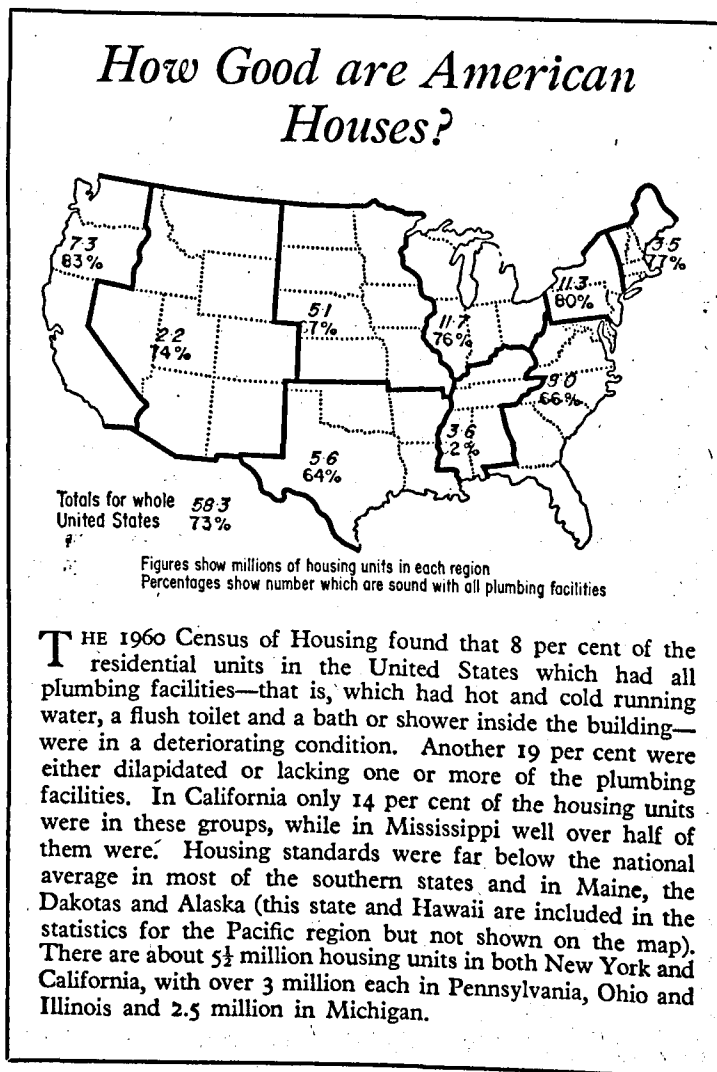
Such a programme would certainly wake the civil population to realities. But the American public's readiness to support anything so drastic is problematic. It is thus hard to imagine how the game of brinkmanship is to be played. The thought of improvising it at the last moment alarms some White House thinkers who foresee that, in view of the importance of striking first with nuclear weapons in a showdown, even the probing by a patrol of the routes to Berlin could start the timetable of nuclear preparations moving on both sides far faster than the fatal military timetable which defeated the frantic efforts of diplomats to avoid war in 1914. The plain fact is that the members of the "tough" school are still using euphemisms like "partial mobilisations," "exerting force" and "exercising power" when they should be facing the implications of nuclear war. For this reason, it may be surmised, if the President continues to play it cool the policy of cautious but time gaining negotiation, backed by cautious but meaningful preparations for a nuclear showdown, may come out on top in the next few months.

President Overhoused?

CONGRESS has given Mr Kennedy more for housing than any President has a right to expect—practically everything that he asked for, both in programmes and in money. The compromise Bill which came out of the conference between representatives of the House and Senate this week was more generous than either of the Bills that went into it. With the improvement in the economic situation since he sent his request to Congress last March and his growing concern about the inflationary effect of increased government spending, Mr Kennedy may in fact be regretting the legislators' magnanimity. But the Bill will add only about \$250 million to federal outlays in the coming fiscal year and the total of \$4.9 billion—Republicans maintain that the amount involved is really twice that, because subsidies for public housing have been left out of the calculation—is to be spread over four years.

The President has been given more money than he wanted, for the moment at least, to help cities to solve their public transport problems. As another part of its attempt to improve urban living conditions and to prevent suburban blight—two-fifths of the money is to be devoted to redevelopment projects—the Bill also permits grants to be made to local authorities so that they can set aside land for parks, but only \$50 million is allowed for this, not the \$100 million which the Administration wanted. However, the President has been given \$500 million, instead of the \$50 million he requested, for loans to finance local public works and the programme for loans for building houses on farms has been extended. These last two clauses appealed especially to conservatives—Southerners and farmers—who have voted against housing bills in the past. These provisions, and the very expert way in which the Bill was handled and the Democratic majority held together, explain its quick and easy passage through the House of Representatives.

Reversing the usual experience with housing legislation, it was in the Senate that this year's Bill faced a crisis—as the result, oddly enough, of the defection of a liberal southern Senator—which nearly did serious damage to the only really striking new provision in it; otherwise it consists almost entirely of continuations and accelerations of existing programmes. This new provision is for government guarantees for forty-year mortgages made available to people with moderate incomes—\$4,000 to \$6,000 a year—for the purchase of houses in the \$9,000-\$15,000 price range. The President wanted these mortgages to be free of down payment but to rescue the scheme in the Senate and to smooth its passage in the House a small down payment was finally required. There are also



to be loans to encourage the building of houses and flats for rent to people in this income group who, it is said, have been priced out of the private housing market without being poor enough to qualify for subsidised public housing (which is also to be stepped up under the Bill). The new programme is admittedly an experiment and many experts doubt whether it will prove attractive or practical. The still lagging building industry may get more immediate help from the Bill's provisions encouraging people who already own houses to borrow money for improving them and colleges to build more dormitories for their students.

General to the White House

ALTHOUGH the appointment of General Maxwell Taylor to the White House staff, as Military Representative of the President, is not linked officially with the General's investigation of the Cuban operation, it is undoubtedly the result of the lessons learned from that affair and an attempt to ensure that the fiasco is not repeated—particularly over Berlin, to which the General is to devote his immediate attention. His investigation of the Cuban operation, and especially of the part played there by the Central Intelligence Agency, is complete and he has reported to the President on it orally. What he said is not known but it is thought that he recommended little or no change in the agency, although there may be some reorganisation after the Killian committee has finished its more detailed report. However, what General Taylor may have recommended, and what in any case the President has obviously decided is needed, is someone on the White House staff to analyse and co-ordinate reports from the CIA and other intelligence agencies. This is what General Taylor will do; he will also advise the President on all military matters, representing him abroad when necessary.

General Taylor is known as an intellectual, statesmanlike, soldier who will be able to hold his own with the pride of professors in the White House, and with the politicians too. As Army Chief of Staff he was out of sympathy with the defence planning of the Eisenhower Administration and later elaborated his theories in a book, along lines which the Kennedy Administration has followed in some of its military thinking. In particular he complained that the modernised Army was not being equipped or trained to fight conventional or limited wars. But the fact that General Taylor is so in tune with the President's outlook, coupled with Mr Kennedy's habit of bypassing official government channels of communication, has given rise to fears that the General may be going to usurp, or interfere with, the statutory functions of the Secretary of Defence and the four Joint Chiefs of Staff as the President's military advisers, to act as the single Chief of Staff which Congress has always refused to authorise.

These fears are accentuated because General Taylor's appointment came shortly after there had been a tendency to blame the Joint Chiefs for the Cuban disaster—although the President took trouble to demonstrate his confidence in them—and just as the terms of office of two of the four are ending. But General Le May, the new Chief of the Air Force, who is responsible for building the country's strategic bomber strength up to its present high efficiency, is not a man to permit any encroachment on his rights; nor, probably, is Admiral Anderson who is leaving command of the Sixth Fleet in the Mediterranean to become Chief of Naval Operations. The announcement of General Taylor's appointment stated specifically that he would not be interposed between the President and the Joint Chiefs, although he would assist the President in reaching decisions—assistance which is certainly needed by the President with his lack of experience in military matters.

Storm over the "Tropics"

FROM A CORRESPONDENT IN
SAN FRANCISCO



THE pockets or purses of travellers returning from France to the United States need no longer bulge suspiciously because they want to read Mr Henry Miller's famous book, "Tropic of Cancer." June 24th was the official publication date for the Grove Press's first American edition of this controversial work, which for the past twenty-seven years has been legally unobtainable in America. Now those who can afford to pay \$7.50 can buy the book openly instead of running the risk of having it confiscated by the Customs because of its allegedly obscene and pornographic passages. In fact, the first edition has been on sale for more than a month and the first printing of 30,000 copies has been nearly exhausted, although some bookshops, including a large chain in New York, have refused, so far, to distribute Mr Miller's most famous book.

"Tropic of Cancer" was written in France in 1931 and published there in 1934 when Mr Miller was 43 years old. By 1939 it had been reprinted five times in Paris and when the war brought thousands of American soldiers to France many of them discovered Mr Miller with joy. He seemed to be speaking directly to the post-war generation. By then he had returned to the United States, and he began to achieve a limited fame in his own country. At that time he was living in an isolated part of the Californian coast and his home, perched high on the side of a mountain, became a Mecca to hundreds of pilgrims.

A very shy man in his personal relationships, Mr Miller has always tried hard to maintain a certain measure of isolation from the world at large. He is a wonderful listener, an erudite and cheerful conversationalist but an unhappy lecturer or party-goer, who is miserable among large groups of strangers. For many years, Mr Miller lived precariously on the edge of poverty and once he even advertised in an American magazine for financial assistance so that he might continue his writing. He was surprised to find himself almost overwhelmed by the number of strangers who sent small and large loans. Since those days, Mr Miller's financial position has improved and it took the Grove Press more than three years to persuade him to allow "Tropic of Cancer" to be printed in the United States, even though he was offered \$50,000 for the publication rights. As he himself explained his reluctance:

I don't want to be the central figure in a great controversy about my books. I don't want to take time from my writing to be interviewed on the radio and television or for the newspapers. Besides, the people whose opinion I most care about have all read the books and I'm not interested in those who want to buy them just to look at what they think are dirty words.

"Tropic of Cancer" has been described by Mr Lawrence Durrell as a work that stands beside "Moby Dick," and as "the book of someone whose fidelity to himself has conquered the narrow confines in which we normally hem the range of subjects permissible to art." This opinion is shared by many other writers and critics, all of whom agree that the book must be regarded as a work of art. But eight years ago a federal judge in San Francisco

ruled that the "Tropics" books—there is a companion work called "Tropic of Capricorn"—were only pornography with an "evil stench" and upheld the seizure of two copies sent into the country by a university professor. Since that time there has been a noticeable retreat from censorship in the courts; in the most recent case the Grove Press was upheld in its right to use the post to distribute its unexpurgated edition of "Lady Chatterley's Lover."

Legal action against allegedly obscene or pornographic books can be taken on the local, state or federal level in the United States. Cities and counties have hundreds of ordinances providing for the arrest and trial of the sellers of books which are obscene in the judgment of the police. In addition, almost all the states have anti-obscenity laws. There is no federal anti-obscenity law, as such, but the federal government can take action through the Post Office and the Bureau of the Customs. Two courses are open to the Postmaster General when he thinks that "obscene" material is being distributed through the post. It can be inspected, provided it has not been sent first class, and if there is any question about its

right to be sent it can be held up for a legal opinion—an opinion which may be, and frequently is, appealed to higher courts. The Postmaster General may also order the return of money sent through the post in payment for such materials.

When "Tropic of Cancer" appeared last month, the Postmaster General moved against it as he had in the case of "Lady Chatterley's Lover," but this time his legal adviser decided to issue no ruling on the book until a court case, involving confiscation of the "Tropics" books by the Customs, is concluded. This is the other method by which the federal government can take action against books—through the Customs Bureau, which is under the jurisdiction of the Treasury and which has the legal authority to confiscate and destroy obscene material imported into the country. For many years, the Treasury has exercised its powers of confiscation against Mr Miller's work and it has not been possible to bring his "Tropics" or certain of his other books into the country openly. Now, there is a good chance that the Treasury will be over-ruled by the courts. Just this week a federal judge in New

Privileged Dollars

NEW YORK

THE Administration has run into strong opposition from businessmen and others in its attempt to tighten up taxation on American subsidiaries operating abroad. As the law now stands, their earnings are subject to American taxation only if and when they are returned to the United States as dividends; funds that are re-employed abroad do not come within the jurisdiction of the Internal Revenue Service. Foreign subsidiaries must, of course, pay local taxes on profits to the country in which they are incorporated, but in many countries (though by no means all) these taxes are substantially below the American rate of 52 per cent. In the second place, earnings that are repatriated now get preferential tax treatment compared with those of domestic companies.

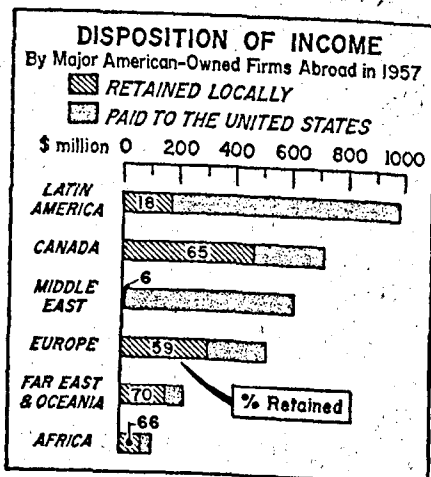
The American tax authorities levy the corporation tax against the sum remitted to the United States and then allow the company a credit for all taxes paid abroad. But since foreign taxes have already been deducted from the money sent home, the tax credit amounts to a second deduction and the combined rate actually paid falls well below 52 per cent. In 1957, the year covered by the great census of business investments in foreign countries which the Department of Commerce published recently, about 60 per cent of the earnings of foreign subsidiaries was retained abroad.

In part of his recent tax message, Mr Kennedy asked Congress to rescind "the privilege of tax deferral" for subsidiaries in developed countries, and to provide that the American corporate tax be levied on the gross income of the subsidiary before foreign taxes are deducted. These changes, it is estimated, would produce an additional \$250 million in revenue, but this is not the main consideration. The

Administration has tried to emphasise that it is not opposed to foreign investment—that all it wants is equal tax treatment for domestic and foreign operations—but clearly it feels that American corporations are showing quite enough enthusiasm for establishing plants in Western Europe without being encouraged officially to do so.

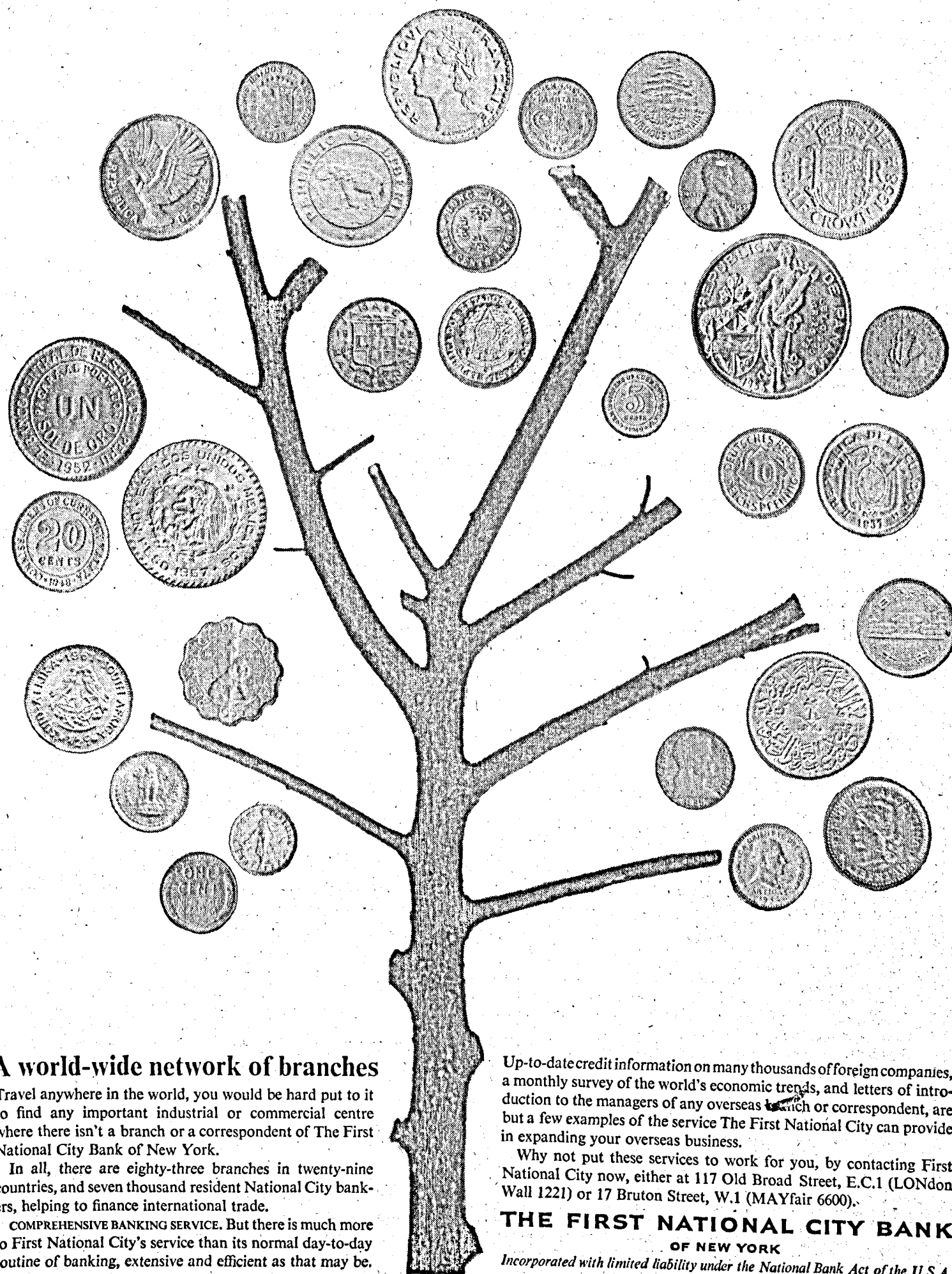
ITS first concern is to strengthen the balance of payments, but it is also of the opinion that some of the investment now going into Europe and Japan would be much appreciated in the domestic market; as Mr Stanley Surrey, the chief tax adviser to the Treasury, explained: "The dollar that goes abroad is a dollar not invested at home." Finally the proposed changes would close a sizeable tax "loophole." The existing law makes possible the establishment of a subsidiary in a low-tax or "tax-haven" country for the exclusive purpose of evading United States taxation; these so-called "subsidiaries" often amount to no more than a printed letterhead. Alternatively, companies which are conducting legitimate business abroad can juggle their finances (by transferring patent rights, management fees and so on) so as to accumulate profits in the foreign subsidiary instead of in the parent company, where they will be taxed.

At the public hearings before the House Ways and Means Committee witnesses from the business community concentrated their fire on the proposal to tax earnings that are re-invested abroad. One of the main arguments for the defence was that this change would bring only temporary relief to the balance of payments, since a reduced outflow of capital was bound in the longer run to lower the volume of remittances; in 1957 such remittances were about equal to new capital



obtained from the United States. Other points made were that other countries (including Britain) follow much the same practice as America now does in taxing only repatriated earnings; that in countries where low corporation taxes are offset by high sales taxes American companies will be unfairly burdened; and that in many instances accumulated earnings have been an essential source of new capital. It was also pointed out that advanced countries such as Britain, France, West Germany, the Netherlands, and Canada tax company profits by approximately 50 per cent—so close to the American rate that little or no extra revenue would be gleaned.

It seems likely that Congress will be sympathetic to these arguments and that no changes will be made in the system of "tax deferral." The Administration is getting more support on the question of eliminating tax-havens although many people feel that this could be achieved without any very radical alteration in the law. But even if the proposed changes were accepted, businessmen probably would not curtail their overseas activities very significantly as long as Europe offers a profitable market; the Treasury estimates that the outflow of capital might be curbed by some 7 per cent.



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York decided that "Tropic of Cancer," though "nauseating and repulsive in parts," is not obscene. It is unlikely that the Postmaster General will make any move against the Grove Press until this case is disposed of finally; until then, "Tropic of Cancer" can be sent by post, instead of by freight or railway express, as had to be done with "Lady Chatterley" until it was cleared by the courts.

Perhaps just because the federal courts have become more liberal in defining obscenity and pornography, there has been an increase in local and state censorship. To some extent, this has been stimulated by branches of such groups as the National Organisation for Decency in Literature, which was established in 1938 by a group of Roman Catholic bishops. These groups and others which are purely local attempt to police book shops and news stands and boycott those which refuse to stop selling publications that such organisations consider improper. A good many of the books on these black-lists are the standard works of authors like Mr Hemingway, Mr Faulkner, Emile Zola and a wide range of other writers found in libraries throughout the country.

Court's Wide Net

LAST week the Supreme Court ended its busiest term with a record-breaking volume of decisions in cases of typical diversity; earlier in the session the Justices had ranged from rulings against members of the Communist party to one upholding the "blue laws"—the state statutes which forbid or limit the operation of businesses on Sunday. Most observers consider the hallmark of the session to have been the caution with which the Court handled deeply divisive constitutional issues. In the concluding batch of decisions the following were of particular interest or importance:

1. State courts were forbidden to admit evidence in criminal cases which had been secured illegally. Such evidence has been barred from federal courts since 1914, but to extend the prohibition to state judicial procedure meant overturning a decision handed down by the Supreme Court itself in 1949. It also involved a further stage in the process of applying the Bill of Rights to the states as well as to the federal government. Some 24 states will now have to mend their ways. The end of this double standard means that federal prosecutors will no longer be able to get round the Constitution by turning over to the state authorities evidence procured as a result of unreasonable searches and seizures. The Court was divided 5 to 4.

2. In another 5-4 decision the Justices held that when Congress, in the Railway Labour Act, required railway workers to join trade unions in order to hold their jobs, it did not mean to authorise the use of their dues for political purposes of which they disapproved. The majority reversed the Supreme Court of Georgia, which had sought to remedy this abuse by abolishing compulsory membership in railway trade unions. But the remedy which the Supreme Court suggested—that the part of their dues used for political purposes should be returned to the dissenters—is likely to benefit accountants and lawyers more than the dissident workers. Constitutional issues were not considered by the majority and the practical effect of the ruling does not seem likely to be wide. In a parallel case, in which it upheld the right of Wisconsin to require lawyers to join the state Bar Association, the Court refused to rule on whether the association may spend a member's dues on political projects which he opposes.

3. The Court also refused to rule on the constitutionality of Connecticut's law forbidding doctors to prescribe, and people to use, contraceptive devices, on the ground that the law is not being enforced; only one prosecution has been brought—in 1940 as a test case—since the Act was adopted in 1879. Nevertheless, all birth control clinics in the state were closed after 1940 and they remain closed. About half of Connecticut's residents are Roman Catholics.

4. The Court ruled unanimously that it is unconstitutional for Maryland (and by inference for seven other states) to make a declaration of belief in a supreme being a condition of holding public office.

5. It upheld lower courts in Louisiana in their view that the state's "interposition" laws may not be used to frustrate court orders for the admission of Negro children to white schools.

Four days after the session ended Justice Frankfurter, who wrote the historic decision requiring the Communist party to register as a subversive organisation, granted it a stay to permit an appeal for reconsideration.

Carelessness at the AEC

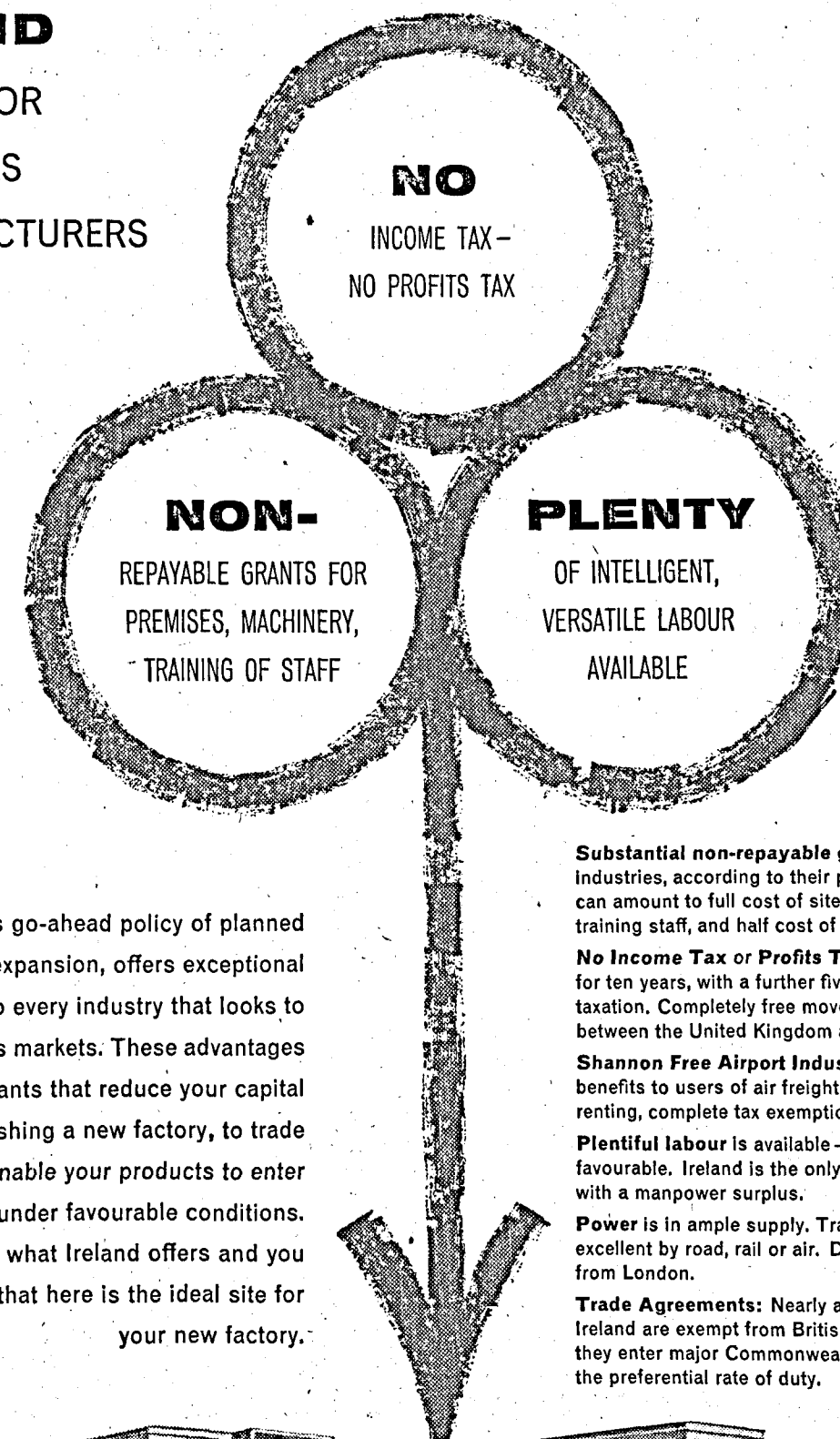
THE Atomic Energy Commission has confessed publicly—to its credit—that the explosion of a nuclear reactor at one of its experimental stations in Idaho last January could have been prevented. It is not clear what caused the accident, which killed three men, the first atomic fatalities in the United States, but there had been plentiful evidence previously that all was not well with the reactor and if the operator had been prudent it would have been closed down earlier. The fault lay, the commission concluded, not only with careless management on the spot but also with confusion in the chain of responsibility within the commission, extending right back to Washington. Some of those involved have now been punished, responsibility has been clarified and precautions have been tightened at all the commission's facilities, something which many experts have long urged. It is pointed out that the reactor involved was of a different type from those which produce power for civilian use and that in any case the commission applies much stricter regulations to privately-operated reactors than it does to its own.

Nevertheless the accident reinforces the view that the AEC has "a light-hearted approach to . . . the most deadly . . . process that man has ever conceived." These are the words of Justice Douglas, dissenting from the Supreme Court's recent decision that the AEC may license private firms to build a nuclear power reactor without definite proof that it will be safe, leaving that until the time comes for granting an operating licence. The case arose over a commercial reactor being built in the neighbourhood of Detroit, the first to be started near a large centre of population. Local trade unions protested that since so much money was being spent on construction the AEC would not be able to refuse an operating licence once the plant was built, even if there were then doubts about its safety. On this the Supreme Court ruled that it could not be assumed in advance that the AEC would fail in its duty of protecting the public health and welfare.

There is still pressure in Congress for taking the whole question of security out of the control of the commission on the grounds that it is too anxious to promote atomic undertakings to insist on all the necessary precautions. But the decision has at least removed one serious obstacle to the commission's policy of leaving commercial development of atomic energy to private groups; it argued that in practice it is almost impossible to devise satisfactory safety measures before a plant is built and it is essential that commercial reactors should be near to potential consumers. Plenty of obstacles remain, however, mainly as regards costs, and the programme is grinding almost to a halt. The reduction in the price to be charged for nuclear fuel well help, but not very much, and once again there is likely to be a demand in Congress for the government to play a more positive part in the industry.

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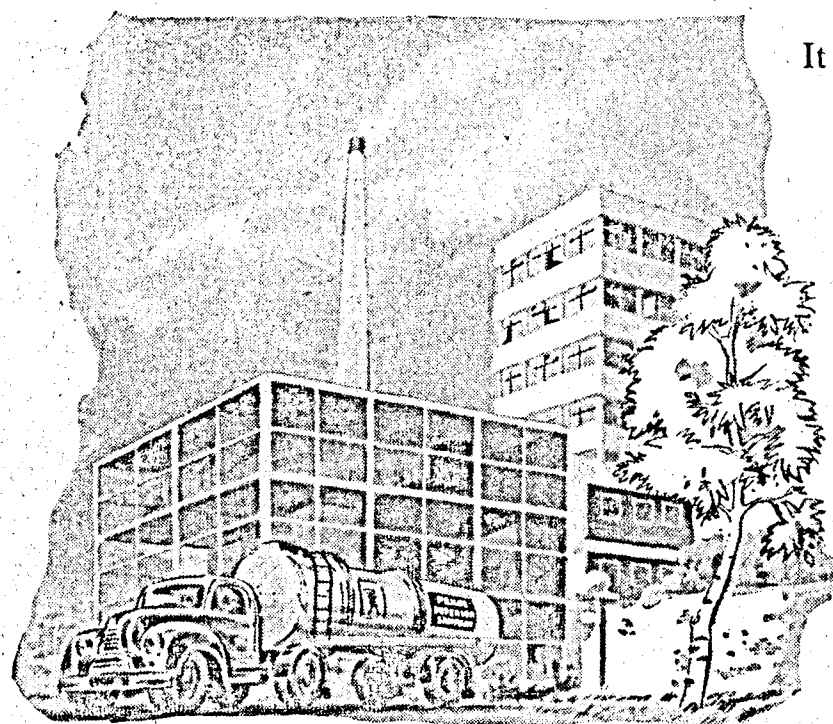
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THE WORLD OVERSEAS

Baghdad Brainstorm

FROM OUR MIDDLE EAST CORRESPONDENT

IRAQ'S claim to Kuwait is not in itself dumbfounding; but the brutal manner in which it was announced last Sunday has left the Arab world agape. General Qasim's reference to the ruler, Abdullah Salim Sabah, as “this Sheikh,” and his announcement that he would be confirmed in his position as the Qaimmaqam of Kuwait (a sort of district commissioner) under the authority of Basra province, were both calculated insults. The bland announcement that the Iraqi prime minister had in mind a programme for Kuwaiti development, including the provision of schools and hospitals, “which are cruelly lacking,” might be funny if it were less foolish.

The first subject of speculation here is the part played by the Iraqi ministry of foreign affairs. Under the able and sophisticated guidance of the foreign minister, Dr Hashim Jawad, Iraq's foreign policy has been conducted with restraint and moderation for over a year. Even in the complicated and acrimonious dispute with Persia over the waters of the Shatt al Arab, Iraq could fairly claim to be the aggrieved party, since it was Persia which unilaterally repudiated longstanding practices. Suddenly all this has changed and Iraq has emerged on the international stage as a singularly maladroit aggressor. It is not difficult to see in this one of General Qasim's periodic brainstorms, and this impression is heightened by his subsequent frivolous claim to all the lands of the former Basra vilayet, which include, among other places, the Saudi region of Al Hasa, where the Arabian American Oil Company has its home.



Ruler of Kuwait:
Sheik Unshaken

having worked himself up to the requisite pitch of exaltation, he may actually send troops to Kuwait. But as this possibility is largely discounted (if only because Britain is committed to the defence of the sheikhdom against external aggression) the general tendency is to take a calm view of the situation, and to sit back and watch the general wriggle off a hook of his own making. The suggestion that Iraq might try to bring economic pressure to bear on Kuwait is scoffed at: there are only too many suppliers eager to take Iraq's place in the Kuwaiti market. Most well-informed people agree that discontent in Kuwait has been on the wane for several years with the development of the “super welfare” state and that such opposition as still exists looks to Cairo rather than to Baghdad. Indeed, the rift that at one time threatened to set the middle classes against the ruling family has been superseded by the friction between native Kuwaitis and the large foreign element working in the sheikhdom. Now Kuwaitis and most of the foreigners—Lebanese, Palestinians and Egyptians—are likely to forget their differences in the face of the threat from Iraq.

THE quick reaction of the other Arab countries has been damning. The first to enter the fray was King Saud, who has no objection to being one of the Arab world's big three in oil affairs, but would strongly resist demotion to the position of a poor second. He also has a personal interest in the affair as Kuwait sheltered his family during its exile in the late nineteenth century, and he himself was born there. King Hussein, who has just succeeded in re-establishing correct relations with the revolutionary regime in Iraq, has been less forthright than King Saud in his public statements. But it is reliably reported from Amman that he has told the Iraqi ambassador that Baghdad's claim to Kuwait will receive no support from Jordan in the Arab League or anywhere else. The government of the United Arab Republic has issued an official statement condemning General Qasim's claim in terms that gain in effect by virtue of their moderation. The Lebanese government, following its traditional policy of neutrality, is sitting on the fence, but

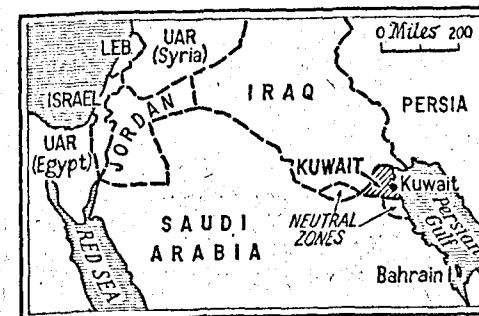
public opinion Christian and Moslem alike, is remarkably unanimous in supposing that General Qasim has gone off his head.

General Qasim's next move is awaited with curiosity and some amusement. A few people fear that,

Britain's position in this imbroglio is one of some delicacy. After plumbing the depths in the months immediately after the Iraqi revolution, Iraqi-British relations have been restored to a level slightly better than correct, thanks to tough and supple diplomacy on the British side. Even so, scarcely a week passes without some harassment of the Iraq Petroleum company. There is no desire by the British to throw the fruits of this uphill struggle to the winds, and comment from London has been commendably restrained. It is significant that the ruler of Kuwait, even while negotiating quietly with the British, has made his first public appeal for help to the Arab League. If the league can score one of its rare successes by burying General Qasim's claim without the ruler's having to seek help from the West, it will not only have reduced Middle Eastern tensions, but will also have picked up a little prestige for itself on the way.

It is expected that the league will meet shortly to consider Kuwait's application for membership. Since unanimity is not required for the admission of new members, Iraq's veto will not be operative in the almost certain event of its being the only dissentient voice. The most that Iraq could then do would be to withdraw from the league. Baghdad's decision here may well depend on whether General Qasim or his harder-headed foreign minister has the last word when the critical moment arrives.

On the assumption that the dispute will blow over, or linger on without coming to a head, there are lessons in this affair for the Kuwaiti ruling family. Despite the torrents of good advice from British officials, Kuwait has been singularly unresponsive



in the past to any appeals from the other Arab states for a share of the sheikhdom's enormous capital resources. The Kuwaitis have much preferred to invest their money safely in Europe or in real estate in Beirut or Cairo. If Kuwait is effectively defended from Iraqi pretensions by the intervention of the other Arab states, the Arabs will surely look for some return. Unless such a return is forthcoming, the next storm may find the ruler bereft of any protection except the British umbrella, appeals for which would do him little good in the long run and would certainly cause the British Government grave embarrassment.

Backwards to Evian

FROM OUR PARIS CORRESPONDENT

IN Paris, the grapevine confidently predicts that negotiations with the Algerian rebels, which were broken off on June 13th, will begin again soon, possibly next week. When the French decided to break off the talks at Evian they proclaimed publicly that these would not be resumed unless some "new element" were introduced by the other side. So far as is known, the Algerians have not made any concessions during the recess—yet it seems certain that the negotiations will be resumed. The French bluff seems to have been unsuccessful and the pause superfluous. But it is now easier to assess the reasons for the failure of the first round and the chances for the second.

At Evian both sides were trying to find out what the other would concede; neither side was willing to commit itself to anything that might prove prejudicial if the talks broke down. M. Joxe, a skilful diplomat, led the exploration. His task was to induce the rebels to put their faith in General de Gaulle's liberalism and, at the same time, to find out how far they were willing to go on the gaullist road towards "independence in association" with France. Uncertain of the Algerian response, the French tried to keep all their trump cards in hand. The future of the Sahara was not to be discussed until the very end of the conference. The price of independence included a privileged position for the European minority, special status for the main towns and French sovereignty for military bases. If the French could have controlled such commanding heights, they would have had no need to worry about the future of Algeria.

But the Algerian delegates refused to swallow such unappetizing bait. They countered the French efforts in two ways. They made the point that the government of an independent Algeria would be the only authority entitled to commit the country's future in such a way; and since France recognises neither Algeria's independence nor the rebel government, *ipso facto* it cannot expect such commitments. Secondly, they tried to shift the discussions back to the one point—Algeria's right to self-determination—on which, in theory, both sides are agreed. They proposed a discussion about the guarantees for a free vote, insisting that such a vote must be taken over the whole country and that the majority decision should be binding. The Evian talks rapidly turned into what the French call a dialogue of the deaf.

Logically, the French might have reduced their terms in order to test whether the rebels could be tempted into any form of acceptable compromise. Instead, they threatened to break off the talks. It is known that the decision to do this was the general's own. Having failed to produce "a third force" in Algeria, General de Gaulle gave the rebel leaders at Evian a chance to play this role themselves. When they refused to adopt their parts and, indeed, refused "to leave their knives in the cloakroom," the general decided to teach them a lesson. But they also refused to learn, and the only result of the break has been a worsening in the Algerian political situation. And so the talks will now start again.

Already it is being whispered in Paris that the insistence on "a new element" was an invention by M. Terrenoire, the minister of information. It is part of the job of the gaullist princelets to take the blame for miscalculations.

The French delegates are likely soon to return to the shores of the lake of Geneva and face again a situation that has hardly altered during the interlude. The only new factor is the general's decision, made known on Tuesday, to bring home a French division from Algeria, and his suggestion that others will follow. The other seeming change in the French position is that more emphasis is being put on the possibility of partition should the rebels finally reject the proposals for association. Yet even this is not new. Partition has for some time been the ultimate weapon in the French arsenal. General de Gaulle himself brandished it on the eve of the Evian talks when he warned the Algerians that, if there were secession, Europeans and Moslems who voted for France would be regrouped in a given area. He repeated this threat at Verdun on Wednesday. Yet is partition really an alternative to war?

Showing some contempt for the idea of self-determination, the French are now drawing up partition plans. It is generally known that the French area would include the fertile, coastal lands near Algiers and Oran, and that it would take in the Saharan oilfields. One snag for the draftsmen is that the outlet of the Hassi-Messaoud pipeline does not quite fit into this territory. But there are other, more serious, difficulties. Moslems outnumber Europeans almost everywhere in Algeria (Oran is the only large town where the numbers are still roughly equal). The French have always argued that they will protect "faithful" Moslems and they have political as well as economic reasons for not setting up a strictly, or even predominantly, European area.

There is not the slightest doubt that the rebels will reject the very idea of partition. The inclusion of a big Moslem population in the new French area would enable the rebels to continue terrorist activities and civil war would thus be coupled with persistent attacks on the new frontiers. In strictly military terms, it might be possible to defend a reduced area with fewer troops, and the withdrawal of a division from Algeria was interpreted in Paris as the first move in such a plan. But this is less important than the fact that the war would go on, and that France's allies would find it awkward, indeed, to defend a solution that gave all the rich lowlands to the French. The theory of partition may one day join other schemes in an arsenal of obsolete weapons. It is not, in fact, an alternative choice. The only realistic alternatives in Algeria are still a settlement negotiated with the rebel leaders—or continued war.

Coyne the Baptist

FROM OUR OTTAWA CORRESPONDENT

THE increasingly shrill fight between Mr Coyne, still governor of the Bank of Canada, and Mr Donald Fleming, now probably feeling more secure as minister of finance than he has for many months, leaves countless questions unresolved. The most serious for thoughtful Canadians is to what extent foreign confidence in the Canadian dollar has been shaken, and how much inflation Mr Fleming's budget portends. Stock values in Toronto and Montreal, which were already too high in relation to earnings, have leapt up in a way that openly proclaims the expectation of inflation. Cynics say that Mr Fleming's handling of his disagreement with Mr Coyne would have been quite enough to depreciate the Canadian dollar without his having to proclaim the intention of using public funds to bring it down. It is worth noting, however, that this week the Canadian authorities have been using the exchange fund to prevent the dollar from going up.

Only last December Mr Fleming was anxiously trying to reassure foreign investors. Now he has frightened them even more than he would have done if he had adopted Mr Coyne's proposals—which he calls autarkic, restrictionist and ultra-nationalist. Yet this very loss of confidence may provide Mr Fleming with a political triumph if it brings the Canadian dollar down to, say, 95 cents without large expenditures by the exchange fund. The announcement of his intention, he may proudly say, was enough to achieve his purpose—once Mr Coyne was out of the way. The great question is how far the Canadian dollar must fall before foreign investors and speculators start to support it. Many factors will be involved in this inevitable international speculation. Probably the crucial one will be the interpretation by investors of Canadian policy.

MR COYNE's letter to Mr Fleming this week was more unrestrained than any of his previous statements—which is saying a good deal. He said that:

The position of the governor of Canada's central bank will be destroyed, and the whole institution will become merely an arm of a political machine if the governor is to be terrorised into resigning whenever the government of the day wants him to, without any issue of monetary policy being raised, without the government stating its monetary policy and without the government accepting responsibility for monetary policy.

Mr Coyne undoubtedly had his eye on London opinion when he explained that the directors of the Bank of Canada had acted purely as political tools (with one honourable exception out of ten) when they requested his resignation for no stated reason except that the government insisted on it. He revealed that even before the board of directors made its decision, on June 13th, he had urged that the Bank of Canada Act should be revised along the same lines as the Bank of England Act, so as to make explicit the government's ultimate responsibility for monetary policy.

Fifteen months ago, on March 19, 1960, your correspondent suggested that although Mr Diefenbaker wore a prophet's mantle, the more truly prophetic voice came from the governor of the central bank. Mr Coyne has indeed proved to be a prophet in the same mould as Jeremiah or John the Baptist. But he ends his career in a raiment of camel's hair bound by a leather girdle, eating locusts and wild honey—instead of starting that way. On the other hand, he has a pension of \$25,000 a year. When Mr Fleming first emphasised this pension, in his statement on May 30th requesting Mr Coyne's resignation, it appeared to be a sure political winner. The Canadian electorate, it was supposed by all parties, would never support a man who had "voted himself" so large a pension in his early fifties. But the pension is now beginning to look more like a boomerang. It had always seemed strange that the government should suddenly discover this spring what its own directors had done in February, 1960. Mr Coyne now asserts that Mr Fleming had been told of the directors' intention six months before their decision was made, that his deputy minister had agreed that the increase was reasonable, and that the directors had been refused an interview with Mr Fleming on the very day in 1960 when they adopted the new pension rules.

Obviously, Mr Coyne's pension has nothing to do with the basic problem of the relations between the bank and the government, which has implications for central bankers in every country. Yet it is crucial in judging Mr Coyne's intransigence and its political effects. Some of the best informed members of the financial community, who are the most worried about how the status of the central bank will emerge from this controversy, say that Mr Coyne should certainly have resigned in May if this issue had not been raised. Since Mr Fleming did raise it, certainly under Mr Diefenbaker's instructions, Mr Coyne's subsequent self-defence against a palpable smear appears more acceptable.

Six and Sixteen

FROM OUR BRUSSELS CORRESPONDENT

AT Strasbourg last week the European members of the common market started to work out the details of their relationship with their African associates. Nearly 150 members of parliament from the six member countries of the European Economic Community held their first joint session with more than 100 parliamentarians from the 16 African states associated with the common market. These new republics—all of them previously French except for the Congo and Somalia—had all chosen to continue the association with the common market, negotiated for them in the Rome treaty by the respective colonial powers while they were still dependencies.

Association at present involves the gradual establishment of a free trade area between the common market and the African countries, and a development fund of \$581 million due for spending before the end of 1962. As this date approaches, the practical details of association need to be adjusted, and this meeting with the European parliament was intended as an important step towards defining the future relationship. The resolutions voted in Strasbourg, which embody African wishes, can serve only as recommendations to the respective governments and to the commission of the EEC, as the European parliament has no legislative power. But the excellent atmosphere in which the session was held is in itself likely to have done something to increase the sense of alliance between the six and the sixteen, as well as encouraging cohesion among the sixteen themselves.

Naturally enough, the Africans were concerned to maintain and to extend the advantages they now enjoy. They urged, in particular, that additional money should be allocated to continue the development fund after 1962, that the fund's work should proceed more rapidly and that the recipient countries should share effective control over its administration. With regard to technical co-operation, they asked that they themselves should decide on priorities, and they also suggested that occupational training programmes should be accelerated. But the most difficult question concerned preferential treatment for African exports, chiefly coffee, cocoa, bananas, ground nuts and palm oil. So far, since the free trade area between the community and its associates is being evolved in step with the removal of trade barriers in the common market itself, the level of preference for African produce is not yet very high. But the 14 former French colonies already trade with France on terms more favourable than are required by the Rome treaty.

This anomalous situation must be smoothed out but not, the Africans insist, at their expense. What they asked for at Strasbourg last week was that they should receive benefits from all six countries at least equivalent to those that they now receive from France. In Germany, they complained, their goods are heavily taxed under old sumptuary laws that rate some tropical products as luxuries—the west German revenue from its coffee tax brings in \$200 million a year. The Africans asked for these and other fiscal barriers to be removed, and pressed for guaranteed markets and prices. A further difficulty, from their point of view, is that both Germany and the Netherlands at present tend to look to other suppliers; both are good customers of Ghana and Nigeria, and Germany, in addition, has long-established trading links with some Latin American countries. They are therefore unwilling to grant extra privileges to the associated African countries: a point of view that finds some support in the United States, both because of Washington's known desire to reduce preferential arrangements and because of its concern for tropical producers in Latin America.

The Latin American problem is not easy. Suggestions that the community's most-favoured-nation tariff on tropical produce might

be lowered were not popular either with Africans or with Frenchmen at Strasbourg. But a partial solution of the African problem might be to include Ghana and Nigeria, in some way, in the association, either through Britain's entry into the common market or by direct bilateral negotiations (the suggestion that Mali might act as intermediary with Ghana was firmly rejected by the leader of the Mali delegation, M. Mahamane Alassane Haidara). A bilateral solution, however, is not likely since, despite many expressions of goodwill towards the English-speaking countries of Africa, the conference finally voted for the exclusion of any African state "already belonging to another economic group whose aims are incompatible with those of the association." This seems to leave British membership as the only way out.

Whatever the solution, the African associated countries will have to be compensated for the disappearance of the price and other guarantees they at present enjoy in France. The Africans have certainly made it clear that this compensation will have to be substantial. Indeed, the existing links are to be strengthened by annual meetings, similar to the one held last week, to take place alternately in Africa and Europe. It may be, however, that Africans will be disappointed at the possibly meagre outcome of last week's grand palaver.

Tight Little Island

IN spite of a constitution designed in 1958 to iron out racial differences, Mauritius seems as plagued as ever by inter-community frictions. These have been reflected by the delegates to the talks which began in London this week about the island's future. At one extreme the Hindu-dominated Labour party seeks full internal self-government swiftly. At the other extreme are Europeans who cast an envious eye on their French island neighbour, Réunion—a department of France, sending its deputies to Paris.

A speck in the Indian ocean, Mauritius contains within its 720 square miles almost as many problems as the Indian continent itself. It is prone to calamities; last year it was devastated by cyclones. It is desperately overcrowded, and its one-crop sugar economy cannot, however thriving, provide employment for all. Hindus, Moslems and Christians—of Indian, African, European and Chinese ancestry—tread on each other's toes. The sugar mill owners, largely the descendants of the Frenchmen who colonised an empty island, are confronted by the teeming progeny of the humble Indian immigrants who replaced the emancipated slaves as plantation labourers. Now two-thirds of the population, these Indo-Mauritians, with a forceful elite in the towns, control the powerful Labour party. Both the tiny white population, and the larger number of Mauritians of Negro or mixed Afro-European stock, dislike the idea of full internal self-government under a Labour regime. The sugar mill owners are worried by the Labour party's dabbings with communism, though these are doubtless a local attempt to be fashionably "positive neutralist". The other group's anxieties are more direct. Descendants of the African slaves, they tend to avoid the plantations and have found their place in society as stalwarts of the civil service. Should the Labour party get control of the service—which is at present still the Governor's responsibility—they fear they might get pushed out.

These inter-racial anxieties are aggravated by the expansion of the population. They might be assuaged if the recommendations in the Meade and Titmuss* reports were carried out. These envisage the development of industries that use more labour than the sugar industry does, and a campaign for family planning. Both projects depart drastically from the island's traditions. There must therefore be political stability if they are to win support.

*The Economic and Social Structure of Mauritius, by J. E. Meade and others, Methuen, 1961. Social Policies and Population Growth in Mauritius, by Richard Titmuss and Brian Abel-Smith, Methuen, 1961.

Italian Labour Out of Step

FROM OUR ROME CORRESPONDENT

WHEN the rate of expansion of Italian industry shot up last year by between 15 and 17 per cent (after rising for several years on a gentler curve of 7 or 8 per cent) it was easy to foresee that labour troubles were in store. Only management failed, on the whole, to grasp what was happening. For nearly forty years Italian industry had lived in a hothouse where the temperature was kept up by the enormous pressure of manpower. Industries, on the plea that they would otherwise have to turn away workers and so add to the chronic unemployment, were able in many cases to pass their liabilities on to the state. The institute of industrial reconstruction acted as a shock absorber, and a system grew up based on high returns for limited output, with risks more or less guaranteed by the state.

This static system was suited to the closed economy of the Mussolini period, but under the impact of new conditions it broke down. During the last ten years—and most decisively between 1955 and 1960—a new dynamic seized Italian industry. It was the result partly of technological innovations, partly of new market conditions, including the advent of the common market. But, in great measure, it was the product of new ideas among the political leaders about the function of state industries, thanks in large part to the impulse given to the ENI group (the national hydrocarbon corporation) by Signor Enrico Mattei. The rapid expansion of the last few years has not wiped out unemployment; in a sense the problem is more acute than ever, because masses of unskilled labour are pouring into the towns. But highly skilled workers are definitely in short supply.

THE younger generation, especially the young people from the technical schools, are keenly alive to the new conditions. Boys trained in the Fiat workshops, for instance, are finding better paid jobs outside Fiat. Both management and unions have to grapple with the fact that, for the first time, large numbers of men are entering Italian industry who are not afraid of losing their jobs. Among workers in the most progressive industries, too, the feeling has spread that labour has a right to share the increased profits from technological improvement. The unions no longer oppose dismissals on principle, but claim instead that for every workshop closed a new one must be opened. When Signor Vittorio Valletta, the chairman of Fiat, says, "Once a man joins Fiat we should like never to dismiss him," he is speaking in terms of the conditions of the past—though, to do him justice, the "professor" has an eye to the future when the ascending curve of Italy's motor industry may flatten.

At present the new state of affairs obtains in a few privileged sectors like engineering and steel. Territorially the change affects the industrial triangle of Milan, Genoa and Turin. Its symptoms are the recent protracted strike of the electrical engineering workers in Milan—where strikes have previously always been short and intermittent; the strikes at the Ansaldo shipyards and Breda, one at Alfa Romeo, and the latent unrest at Fiat, where the management is asking the workers to accept a seasonal distribution of working hours which would introduce a 52-hour week for five months of the year.

With its 74,000 workers and its 19,000 office employees, Fiat has the biggest payroll of any single Italian undertaking. After the war its shop steward elections became a barometer of union strength in the country, but in 1955 Fiat succeeded in isolating FIOM (the metal workers' union affiliated to the socialist and communist federation, CGIL), and the older union suffered a crushing defeat,

to the benefit of the christian democrat CISL. Since then trade union affairs at Fiat have followed a pattern of their own. For several years the catholic union predominated, until it split and gave birth to a "house union" not affiliated to any national federation. In 1960 this *sindacato aziendale* topped the list, but this year it was beaten by the social democrat UIL. These fluctuations illustrate the way management plays off one union against another, withdrawing its support when any union grows too strong. But the new fact at Fiat is the appreciable recovery of FIOM this year. The communist-socialist union is not represented among the office staff, but among the workers alone it has stepped forward to first place with 29.6 per cent of the votes, and this in spite of the fact that Fiat does not allow delegates from this union to sit at the table when it negotiates with the other unions. The irony of this is that, of all the five unions at Fiat, the socialist-communist metal workers' union is the only one strong enough to discuss, or at least to appreciate, the reasons for the 52-hour week.

FIOM's leaders claim that the election results (which match an increase in the communist vote in the local elections last November) denote a strengthening of trade union conscience in the workers. Fiat itself points out that the "communist" union has advanced in the workshops where new young workers are being engaged. Last year Fiat took on 8,000 new workers, as against 4,000 pensioned off. The implication for the future is clear.

THIS does not mean that FIOM, or any of the unions, is sitting pretty. The bargaining power of labour in certain sectors has increased, but the Italian unions are intrinsically weak. They have no strike funds. Their finances are precarious (FIOM with 210,000 members has a budget of £36,000 a year). They depend too closely on the political parties from which they emanate, and they are bitterly divided between the three political federations. In spite of these inherent weaknesses, the socialist-communist and the christian democrat federations have each set up competent research units and their influence upon Italian economic development is considerable; but it is exercised at a political rather than a trade union level, through parliament or through organisations such as the national council of economy and labour. Both the catholic and the socialist-communist federations believe that the function of trade unions is not merely to defend the workers' interests against managements, but to put pressure on the government in favour of particular industrial (or agricultural) development policies. Thus FIOM claims that its job is to get industry to produce more production goods and fewer consumer goods. It complains that the large output of utility cars affects the entire economy, and makes the government spend on motorways money that ought to be invested in schools. These criticisms (of Fiat) are tempered by the fact that the socialist-communist union has no wish to crush Turin's major industry and by the genuine admiration of its leaders for Signor Valletta as a great industrialist. FIOM also wants the numerous state-owned industries grouped under the institute of industrial reconstruction and the national hydrocarbon corporation to be used as pilot industries both as regards production policies and trade union relations. These directives, shared on the whole by the christian democrat federation, have certainly influenced government policies over the last two years—witness the steel foundry going up at Taranto, and the ENI foundry at Bari.

There is no closed shop in Italy, and in most sectors union members are less than a third of the total number of workers. The two non-communist federations, the christian democrats and the social democrats, enjoy the advantage of some discrimination by management in their favour, but in the long run such favours are a source of weakness, for they generally entail concessions. Thus the christian democrat federation lost ground in the last Fiat elections partly because it had agreed to defer the agitation against the 52-hour week. In the last analysis trade unionism in Italy is as

strong as the socialist-communist CGIL, and no stronger. The old federation sets the tone. This is not to criticise the christian-democrat federation. The catholic unions have a tradition and, were it alone in the field, CISL could probably be tough. But rivalry enervates the weaker federations, while ostracism, at least in the new conditions of the labour market, strengthens the socialist-communist federation.

BETWEEN management and unions stands the government, in the person of the young and very able christian democrat minister of labour, Dr Fiorentino Sullo. He believes that big industry must learn that labour relations are not purely a matter for the two sides. There is also the law, and in Italy the law assumes that labour is always the weaker party and will not allow it to contract away its rights. He admits, however, that Italian labour legislation is full of lacunae; an article of the constitution and a law of 1923 are almost all there is to go on. Signor Sullo has, therefore, invited industry and the unions to thrash out a new labour code to define all matters concerning the drawing-up and application of collective contracts. Such a code was laid down in Denmark in 1899 and is still valid. In Italy it will take months of patience. But Signor Sullo says the important thing is to reach an agreement while industry is expanding. The lack of a recognised labour code could be serious should recession follow the Italian "miracle."

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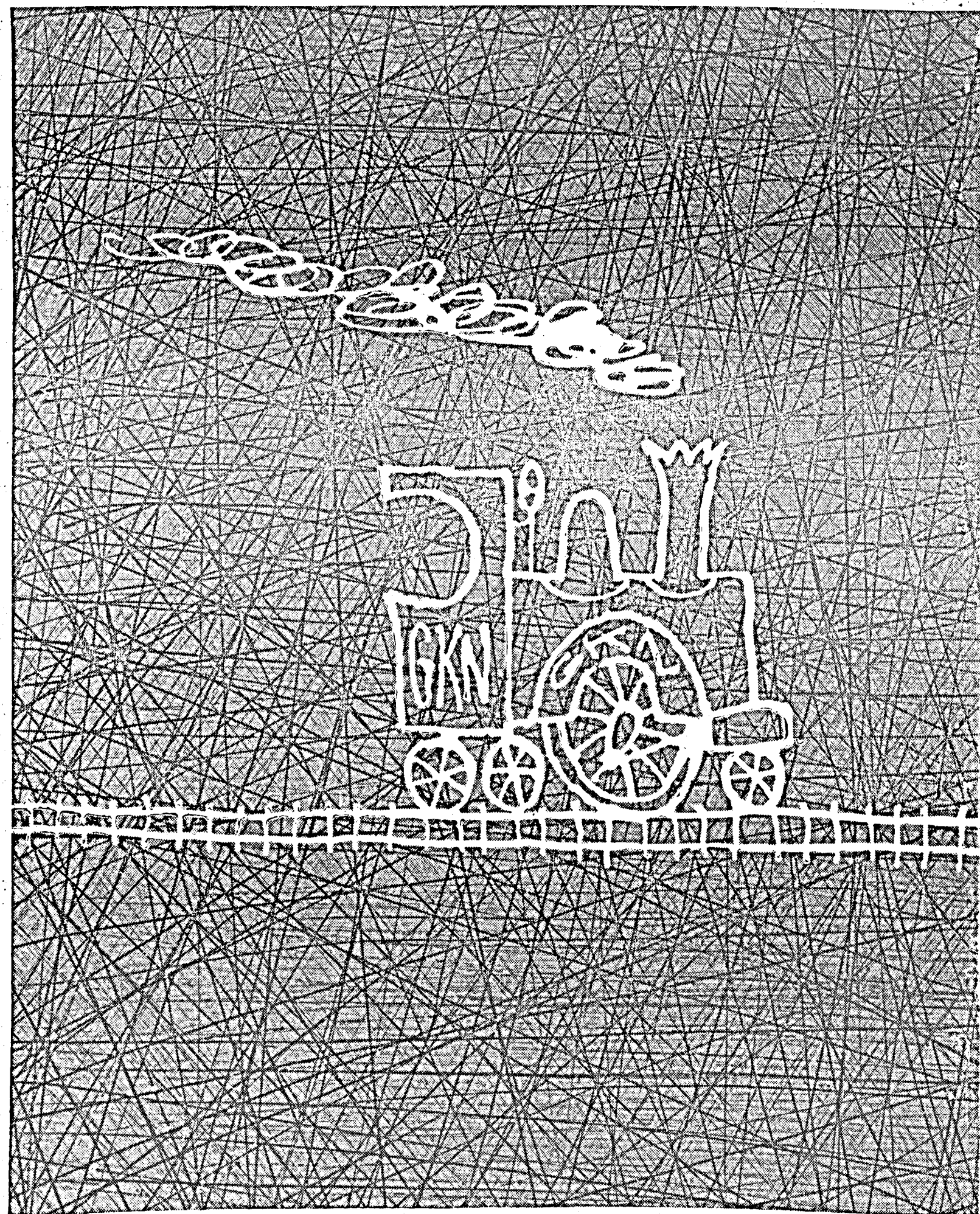
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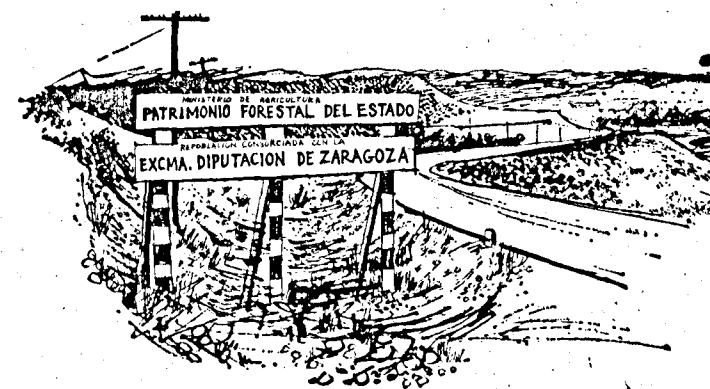
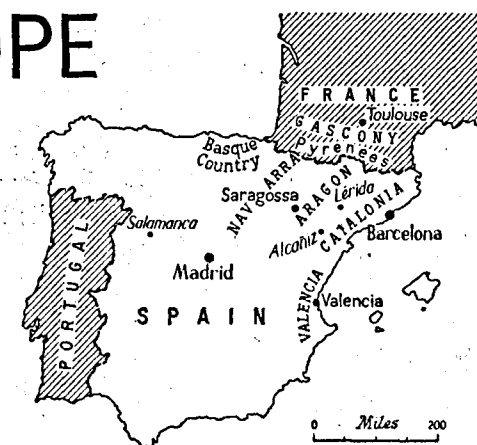
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SPAIN DISCOVERS EUROPE

Spain is at last showing a disposition to emerge from behind the physical and moral entrenchments that have kept it separate from Europe. In the following section our special correspondent examines this process in its political, ecclesiastical, and economic aspects, and in its bearing on western policies.



WHERE EUROPE ENDS

EUROPE has often been said to end at the Pyrenees. French geographers, in particular, tend to consider Iberia a projection of Africa. Driving through Gascony toward the ice-blue battlements that block the southern horizon—and, later, emerging from a cool Pyrenean valley into harsh Spanish sunlight—one is tempted to agree. No frontier could be more emphatic. Might not the Pyrenees be ample explanation of Spain's moral and political remoteness? Behind such a barrier, how could Spain not have been bypassed by *habeas corpus*, the Rights of Man, and the Welfare State?

Of course, nothing about Spain is ever quite so clear-cut. The Pyrenees are only for short stretches a serious obstacle to human intercourse. The spurs, and the valleys, run north and south. In the Catalan and Basque regions the Pyrenees seem to act as a link, not a barrier, between the communities to north and south of them; materially and morally, the Catalans and Basques of Spain have more in common with their northern neighbours than with their fellow Iberians. A more significant geographical frontier—the true southern limit of temperate Europe, perhaps—lies undramatically along the inner edge of the “fertile crescent” of cultivation which links the Basque country, Navarra, a strip of Aragon, Catalonia and the province of Valencia. Here, spontaneously, Spaniards echo the geographers. In Lérida one is told: “Africa begins in Aragon.” In Saragossa and Alcañiz one's Aragonese friends point down the Madrid road and say: “From here on you are in Morocco.” On the coast north of Valencia one is told,

contemptuously, of villagers who live a few miles inland: “*Son Moros!*”

Within this fertile crescent there is water for irrigation and hydro-electric schemes. Landscapes are often green, cultivation tends to be intensive, property is widely distributed and holdings are generally small. Villages are neat; houses are built of brick or stone. There is a moderately prosperous middle class with a small surplus of doctors and lawyers, and an increasingly assertive industrial working class. The standard of living approximates to that of south-west France ten or eleven years ago. South and west of Spain's fertile crescent there are oases, but in general water is scarce and most land is given over to grazing and low-yielding dry farming; property owners are few and tend to be pasha-like in their wealth and social irresponsibility; mud is a common rural building material, and many villages look as if they have been acquired second-hand from Syria. The middle class is small, workers are underpaid, apathetic and often under-employed; there is a high rate of emigration to Catalonia, Madrid and France. Living standards are slightly lower than those of rural Lebanon and Cyprus.

No major physical barrier separates fertile Spain from arid Spain. And no geographical obstacles hindered the spread of, for example, the ideas of the eighteenth-century Enlightenment or of nineteenth-century utopianism to the major cities of Spain. Locke, Voltaire and Montesquieu were read by educated noblemen and literate bourgeois on both sides of the Pyrenees on the eve of the French Revolution. Universal suffrage was provided for in the short-lived constitution of 1869, and the Spanish trade union movement took root in 1888. Since the Middle Ages the geographical barriers between Spain and north-west Europe have been less formidable than the religious and political. There was the Moorish apogee, when Spain prospered and the rest of Europe stagnated; there were the long dark nights of crusade, Inquisition and absolutism; there was Spain's deep involvement in America; there were reflexes like Philip II's circumscription of intellectual exchanges with foreign countries lest Spain's students became infected with uncatholic ideas. Europe was trouble—heresy, subversion, English piracy, French expansionism—and, the rulers assumed, the less Spain had to do with it the better.

The Second Republic made a start at tearing down barriers. But, born in 1931 in the depths of the world slump, it was shackled from the start with economic difficulties. It needed

SPAIN

a generation of peace in which to sort out the economy, promote social reforms, generalise education and inculcate democratic ideals: it was faced in its fifth year with a revolt of army officers, ecclesiastics and big landowners, to which it succumbed just too soon to be drawn into the second world war. From 1940 to 1950 the barriers were up again. In April, 1946, Britain and the United States called for General Franco's resignation and the formation of a representative provisional government. In the same year the UN Assembly approved a resolution urging its members to withdraw their ambassadors and ministers from Madrid.



Abolishing the Pyrenees

GENERAL FRANCO'S best postwar ally was Stalin. The steady build-up of cold-war tension in 1948-50 not only alarmed the United States government—which was understandable enough—but set it scraping the bottom of the anti-communist barrel. Shortly after the outbreak of war in Korea it extended to the Spanish dictator a long-term loan of \$62.5 million and re-established normal diplomatic relations with him, a lead which Britain, and most other western states, followed. The Eisenhower Administration concluded a mutual defence agreement with Madrid and opened the dollar tap wide. To his credit, General Franco made no pretence of espousing the democratic cause. (The general's comment on the first sputnik was that it exemplified the "great achievements" which "political unity and discipline" make possible.) But Washington is broadminded, and by the end of fiscal year 1960 Spain had received or been assured of one billion dollars in US economic aid.

During the same decade Spain was admitted, step by step, to Unesco, the United Nations, the International Labour Organisation and the Organisation for European Economic Co-operation. In 1959 General Franco's government sought and obtained advice and loans from OEEC and the International Monetary Fund. Sixty American consultants and almost as many from western Europe have arrived in Spain during the last few years to advise government officials and industrialists. Some 1,400 Spanish officials and business men have been sent abroad under the US aid programme to study American and European methods.

Simultaneously a window on the outside world has been opened for scores of thousands of families by letters and visits from Spaniards living in France, Switzerland and northern Europe. About 400,000 Spanish republicans preferred exile to submission in 1939-40; a further 350,000 Spaniards emigrated in the first postwar decade, and just now the rate of

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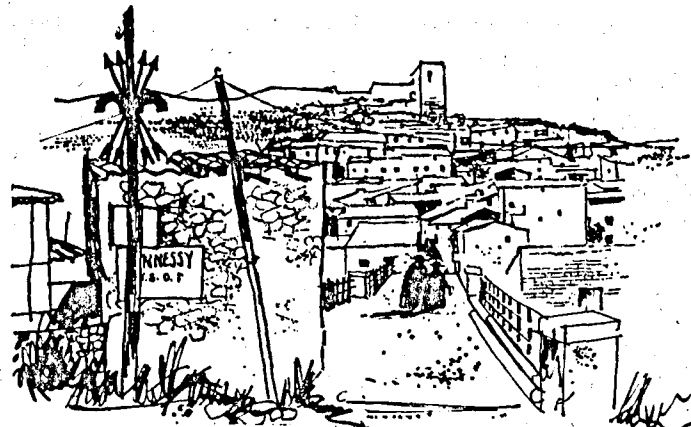
emigration is high to booming France and Germany. Most emigrants write home in praise of the liberties, social services, amenities and gadgets they have discovered north of the Pyrenees. Many spend their three weeks' holiday-with-pay back home in Spain, dazzling the neighbours with their cars, cameras and transistor radios. (Sr A, a middle-grade bank-clerk in Madrid, has a brother, a former republican civil servant, who is now a housepainter in Bordeaux. Sr A would require four years' salary to buy a locally-produced car similar to the one his brother bought in France with the equivalent of one year's earnings. Dr B, an overworked 40-year-old general practitioner in Valencia, occupies a rented flat, has no refrigerator, and has just ordered his first car—a tiny *Seat*. His younger brother, an engineering worker in Toulouse, owns a car, a caravan and a variety of household gadgets and is buying his own home.) The influx of ten million tourists during the last two years has also alerted Spaniards to the affluent revolution that is transforming north-west Europe. And the interest of business men and economists in Europe has been stimulated by the prospect opened by the common market and the availability of a swelling volume of European capital for investment in Spain.

QUITE suddenly, north-west Europe has assumed in Spanish minds the glamour and glitter of a latter-day Eldorado. Articulate Spaniards seem, like articulate Englishmen, almost ready now to pension off their old catchphrases about overseas ties and special relationships (in Spain's case, with an increasingly indifferent Latin America) and to seek new, more purposeful, ties within Europe. Their most urgent desire is to find some means of connecting Spain to the powerline of western European prosperity; and the surest, in the view of the country's leading economists, would be membership of the common market. Not only is the dynamism of the leading common market countries attractive—their output and living standards are rising faster than those of Britain and her Efta associates—but they are doing more business with Spain than any other group of states.

The directors of the least progressive, most highly protected, private and state-controlled firms are predictably apprehensive; but expert opinion in the more dynamic sectors of Spanish industry and the most influential banking circles—the two overlap—is overwhelmingly favourable to participation in the common market. (Here the American embassy is playing a valuable catalytic role.) Intellectuals critical of the regime—and especially liberal monarchists and socialists—would also like to see Spain join the common market: they believe that the political aims of the Rome treaty, "contagion by example," and, possibly, discreet pressure from other member-states, would guide Spain back into liberal constitutional paths.

"Il n'y a plus de Pyrénées"? It would be rash to echo Louis XIV. But an interesting straw in the wind was the Spanish government's sudden acceptance last winter of a century-old French plan for a road tunnel under the central Pyrenees that would reduce by more than a third the travelling time between Saragossa and Toulouse. Until then the Spanish general staff had been permitted to veto far less ambitious Pyrenean road projects than this on "strategic" grounds. Now, overnight, cash down, it is the Spaniards who are forcing the pace. The Pyrenees are still there, but they seem to be shrinking.

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SPAIN'S THREE PILLARS

Authority still marks the Spanish state. But the system of authority has become harder to describe than it was; and its three props have begun to sag apart

"WE are a nation of extremists," the minister's *chef de cabinet* said sadly. "We are all anarchists. Frankly, the old Anarchist Federation was probably our most representative institution before the war. That is why we need a strong Church and a strong State. Without them, Spain would be in chaos." "The workers here are not badly off," said the foreign diplomat, straightening the tiny crucifix on his desk. "They have medical insurance; when things are normal they put in a lot of overtime; and employers must obtain official sanction before sacking them. Their syndicates—sort of unions, you know—are represented in the government. And there's the Church: a man who goes regularly to mass can usually get help." "C'est affreux," the French lady said. "Did you know that the average Spaniard must work a whole day to be able to buy a kilo of decent meat?" "Nothing annoys me more," said the English lady primly, "than journalists who write about Spanish poverty. Everybody I know in Madrid runs an enormous Mercedes."

Generalisations and clichés lie in wait for one in Spain through every doorway, round every bend in the road. Spaniards resort to them out of loyalty to ideals and slogans they or their fathers fought for in the civil war; or because they have lost the habit of categorical discussion, political or economic; or simply for safety's sake. Foreign residents indulge in them to avoid giving offence; or to hide private embarrassments and complexes of their own; or because they are diplomats. Most of the generalisations cancel each other out. "Spaniards nowadays," one embassy man said, "are very chary of talking politics." "It's very difficult," said his colleague across the hall, "to keep Spaniards off politics." (Each, in his way, was right. The Spaniard who, in a restaurant or at a formal gathering, will shrug off a politically loaded remark or reply with a brief conformist comment, is apt when he relaxes in private to startle one with the vehemence of his opinions.) Opposition Catholics and monarchists in Madrid favoured Spanish membership of as many international organisations as possible: "Every time we join an international body we open a door into Spain, we have to play host to observers and study groups, and the regime is put on its best behaviour." Opposition Catholics and monarchists in Valencia and Barcelona asked angrily: "What has Unesco done to help us get rid of the censorship?" To admit

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Franco into international organisations merely clothes him in respectability."

Opinion-polling is, in consequence, hazardous. There is even a shade of ambiguity—though only a shade—in the answers one gathers to the basic question: Is the regime a tyranny? That it is a dictatorship, everyone is agreed. But might it not be a more or less benevolent one? In its first few years, General Franco's rule was indeed a brutal tyranny, so vindictive that it shocked those of his Falangist, Catholic and monarchist supporters who had expected a gesture of national reconciliation. Dionisio Ridruejo, then director of the Falange's propaganda, now a left-of-centre critic of the regime, has said of this period: "Morally, the conquered became the victors." The British and American governments referred in their 1946 statement on Spain to the "absolute lack of liberty" and "harsh repression."

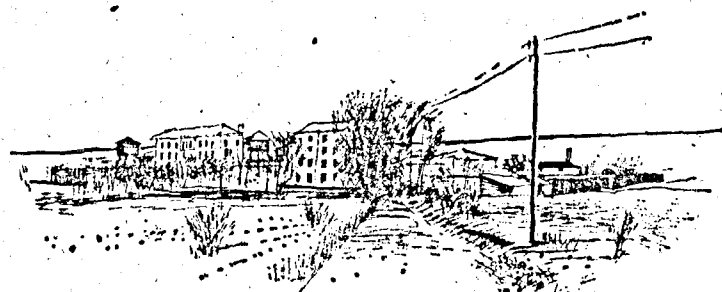
The regime still surprises the observer with its acts of vindictiveness. In February, 72 syndicalists were charged before a military tribunal with having attempted to organise a clandestine trade union in 1947-48, when most of them were already in prison on other political charges. In March, twenty persons were accused of having conspired in 1946 to re-establish the Catalan Left-Republican party. The wife of a socialist, now blind, who has been in Burgos prison for more than twenty years, had her jaw broken last year for accepting a remittance from a relief organisation in Toulouse. Released republicans are harried by the police and petty officials: it is dangerous for them to become involved in litigation or to be seen in the vicinity of, say, a café brawl.

And yet it is still possible to agree with the American diplomat in Madrid who assures one that "the regime is undoubtedly authoritarian, but it is no longer totalitarian." There is certainly something oddly untotalitarian in the regime's present inconsistency in dealing with its adversaries. On the one hand twelve Catalans are beaten and tortured for singing Maragall's patriotic *Song of the Flag* in a public place; on the other, opposition intellectuals in Madrid distribute packets of well-printed leaflets against the government, and arrange their rendezvous over the telephone with an apparent insouciance that would be inconceivable in Moscow or, for that matter, Cairo. Some two thousand ageing republicans are still in prison, working out sentences of up to sixty years; but members of the "new wave" of resistance to General Franco concede that for political offences that would have been punished by twenty years' imprisonment in 1950, and ten years' in 1955, they now run the risk of no more than two years in jail or simply five or six days of beatings and torture.

All opposition groups agree that unfavourable publicity in the foreign press, the presence of foreign observers at the more important trials, and inquiries like the one conducted by an international committee of lawyers last winter, have played an important part in persuading the government—anxious to raise its international status—to keep its backwoodsmen on a shorter rein. But why the inconsistency? One explanation widely advanced in Madrid is that influential officers and officials are increasingly anxious to insure themselves with the opposition groups they think most likely to be represented in the regime which succeeds General Franco's. A hierarchy of political offenders has thus come into being. Intellectuals can get away with more than industrial workers, monarchists are harassed less than republicans, and



Clandestine leaflets.



Distant view of Burgos jail

Catholic liberals are treated more leniently than non-Catholic liberals; Catalanists and socialists come lower down the scale, while anarchists are at the bottom. Similarly, the regime's relative leniency in recent months is linked by some observers with the tensions that are building up in government circles around the problem of the succession.

THE regime rests on three pillars: the army, the Church and that somewhat shadowy political prop, the Falange. Army officers and NCOs are well paid and well cared for. (Thirty generals still on the reserve are over ninety, and four will soon be centenarians. A sergeant is paid more than twice as much as a teacher.) Their loyalty to General Franco has never been in doubt. But many responsible officers dislike the repressive role that has been thrust on them and the government's use of military tribunals to try civilians charged with political offences. Revulsion from their role is known to have impelled officers serving on military tribunals to impose minimum sentences in at least three cases recently; in one of them the sentence was more than doubled by higher authority.

A senior Spanish officer told his American opposite number recently: "We are becoming divorced from the nation. The people look upon us as their gendarmes, not as their defenders. One reason why I would like to see us join Nato and be integrated fully with other Western armies is that we may thereby become an ordinary army and cease being a political one; the morale of our men and our prestige in the nation would gain immeasurably."

According to qualified observers, about 25 per cent of Spain's senior officers are determined that a "strong" regime must remain in being after General Franco's retirement or death; some of them would like another military man to succeed General Franco (General Muñoz Grandes is the favourite candidate), others want an absolute monarchy, most would support either formula. A further 40 per cent are monarchist first and, second, either absolutist or liberal-monarchist; a return to legitimacy, to normality, to a more positive role in national and European affairs, is what concerns them most. The remaining 35 per cent cannot be classified: some are apolitical or look to the Church for a lead, others have political sympathies they take care to keep to themselves, others are ready to serve any regime that respects their pay and privileges.

The Falange (now known as the National Movement for preference, its name having gone out of fashion) remains the official, and only, party of the regime. It has long ceased to have any ideological significance. Its dogmas—a rehash of Italian fascism—are still taught in schools, but their barrenness became embarrassingly plain in 1959 when, after having applied them for twenty years, the government was obliged to do a smart about-face, seek American and western European aid, and swallow a great deal of unpalatable advice, in order to stave off economic collapse. Middle-aged Falangists who joined "the Movement" in the thirties complain, of course, that General Franco has betrayed their ideal, has applied their principles only half-heartedly, and has made too many concessions to foreign opinion and liberal capitalism. More recent recruits admit, in private, that they joined the Falange primarily for the advantages it offers in obtaining employment, promotion

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and housing. Once the Falange had a certain awesome prestige; now it is generally despised. Its decline is reflected in the sales of the Falangist organ *Arriba*. Despite a sensationalist "popular" style, *Arriba* is now selling only 30,000 copies a day, whereas the Church daily, *Ya*, sells 140,000, the nominally monarchist *ABC* 180,000 and the practically newsless sport-and-gossip paper, *Marca*, about 300,000. (All these figures are estimates: actual circulation figures are not published.)

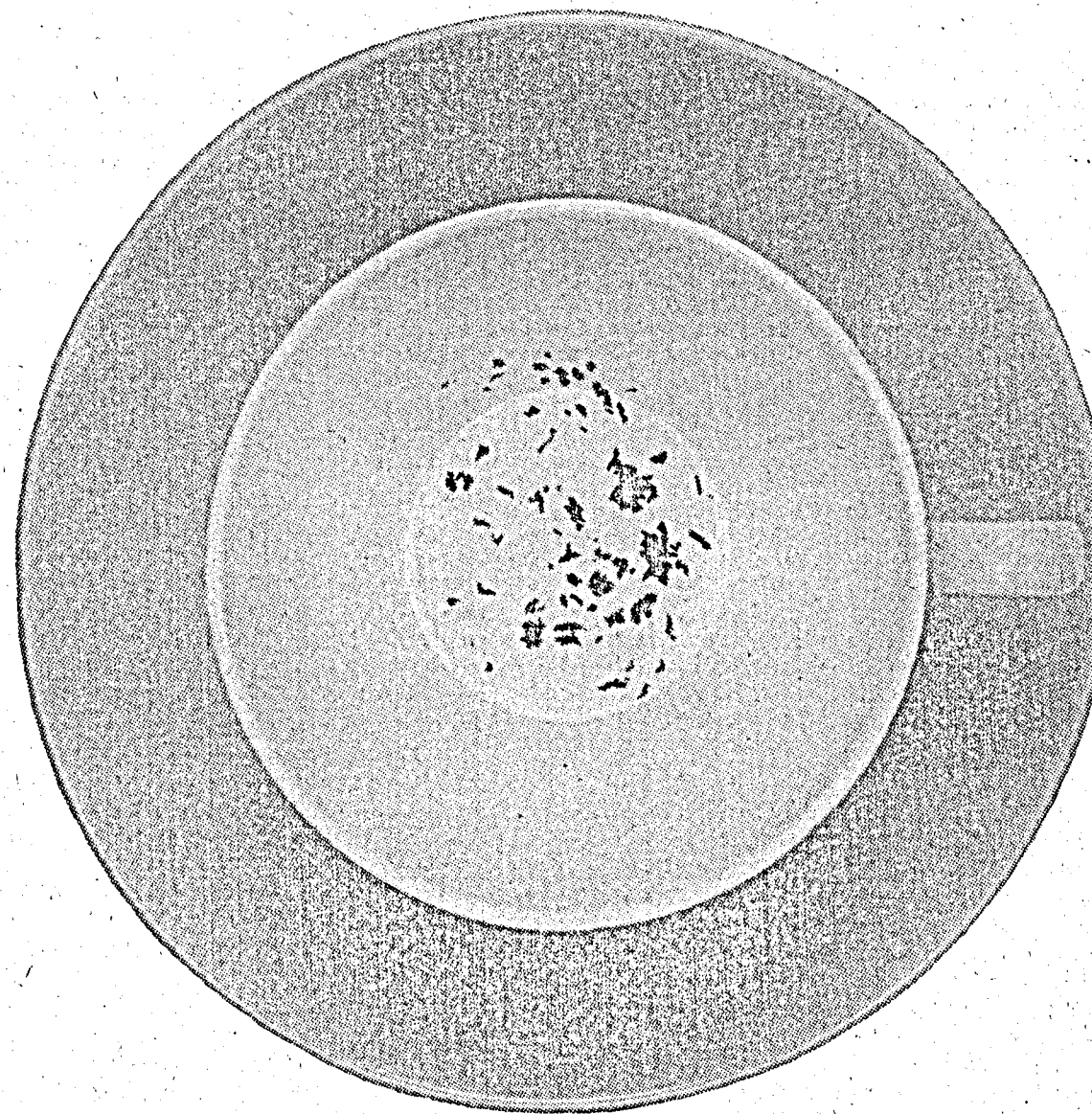
The secretary-general of the Movement, Sr José Solís Ruiz, is also head of the Syndicates, the "vertical trade union" system which includes workers and employers alike; it is this organisation nowadays that provides Señor Solís with his sinews of power. He leads the populist-corporative wing of the government, in contrast to the more liberal (in economic matters) Europeanising tendency represented by Sr Ullastres, minister of commerce, and Sr Navarro Rubio, minister of finance. The "European" tide in Spanish affairs has been an adverse factor for him to contend with, though he has shown skill and resource in adapting himself. His prestige recently took a dip when the Primate of Spain, Cardinal Pla y Deniel, as well informed of the Falange's unpopularity as of working-class discontent, shrewdly selected Sr Solís as addressee of his recent protest against the disadvantage at which the Catholic Action workers' brotherhoods found themselves in last winter's elections to offices in the syndical movement.

CARDINAL PLA Y DENIEL has a delicate task. He has supported the regime since the end of the civil war. He has approved a catechism which denounces democracy and freedom of the press in crudely fascist terms. He speaks with pride of the state's "model" concordat with the Vatican, and he still refers to the revolt which brought General Franco to power, in the accepted phraseology, as the "National Crusade." For a whole generation his Church has enjoyed the sort of opportunity the propagators of all creeds presumably dream of: it has monopolised religious instruction, dominated education and guided the consciences of the nation's ruler and all his officials. Publications of a religious or philosophical nature are seen by its censors before the government censorship sees them; its inspectors have access to all schools. No non-Catholic may teach or become a journalist, a nurse, a civil servant, a policeman or an officer or non-commissioned officer in the armed forces. Ecclesiastical recommendation is necessary for responsible employment in all state-controlled industries and many branches of private business. It is difficult for non-Catholics even to get married; Protestant religious marriages are illegal, and an application for a civil marriage is turned down unless the couple can prove that neither bride nor bridegroom received a Catholic baptism; this is often difficult. Protestant services may be held only in buildings which bear no outward indication of their function, and may be interrupted by the police or gangs of youths, or banned without notice by the local bishop; such bans were recently—and may still be—in force in Saragossa, Salamanca and three other towns visited by this correspondent. Protestant prayer-books have to be smuggled in from abroad; a hymn-book in use among Spanish Protestants was printed in Barcelona on an "underground" press.

The Cardinal Primate agrees with General Franco that the separation of Church and State is "incomprehensible." ("Who can say, in a Catholic society, where the temporal ends and the spiritual begins?") But he cannot be unmindful of the anticlericalism which the Church's identification with repressive regimes has provoked in the past, in Spain as in France and Latin America. While seeking to safeguard the Church's present privileges, he must also seek to store up goodwill for the future, and to narrow the gap between the prelates and older priests who played an active propagandist role in Franco's "crusade" and the younger priests whose consciences are troubled by the oppression and moral apathy fostered by 22 years of "crusader" rule.

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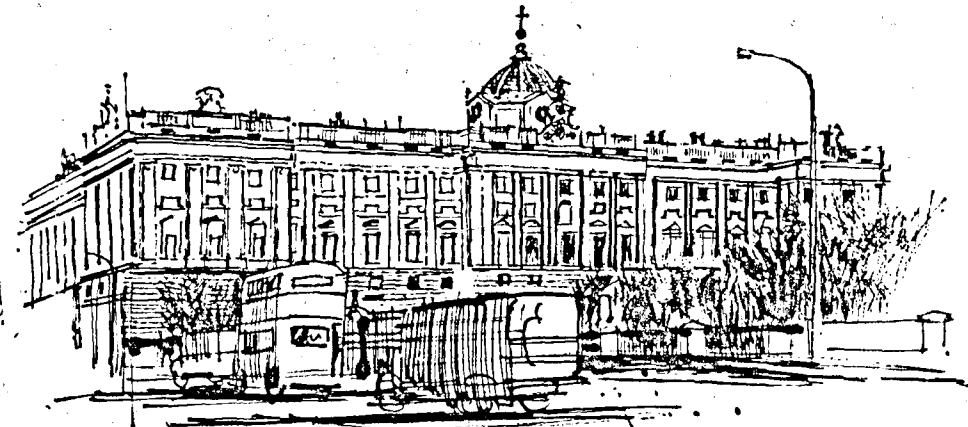
WELL INFORMED CIRCLES

De La Rue rely on skill for their future, not the chance concatenation of tea leaves; but they are pleased to see the auguries are favourable. With renewed vigour a young and lively

management will address itself to the task of further expanding the business, to the gratification of well-informed circles who look to a bright future for the company. And they should know.

FORMICA PLASTICS • POTTERTON BOILERS •
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 De La Rue



The Empty Palace

ATIME comes when immobility ceases to reassure and begins to inspire uncertainty. The empty royal palace in the centre of Madrid stands like a symbol of the doubt at the core of the regime. General Franco has said that he will be succeeded by a royal restoration, and has legislated on that assumption. But the pretender, Don Juan, still holds himself aloof in Portugal: his utterances are subject to censorship in Spain (they are occasionally circulated in the form of underground tracts) and it is an offence against the Spanish kingdom to discuss the likely date of his return or the nature of the constitution by which he will reign.

The monarchists are split, not only between branches of the dynasty but between principles. Some are absolutists, most are liberals. The absolutists, found mainly among the landed aristocracy, the army, the higher clergy, and the priesthood of Navarra, are on good terms with the Franco regime and hope to perpetuate its authoritarian features—and their present privileges—under the restored monarchy. Like General Franco himself, many of them wish to bypass Don Juan in favour of his son, Don Juan Carlos, whom they consider more malleable. In the last resort, most absolutists would prefer a military dictatorship or a “strong” presidential system to a genuinely liberal monarchy. The liberal monarchists, whose loosely-built organisation is called *Unión Española*, are the most active underground group in Madrid, though their agitation is confined almost exclusively to professional and intellectual circles. In the provinces they are much thinner on the ground. If their constitutional ideas prevail the king will have more power than British and Scandinavian monarchs but less than General de Gaulle; parliament and provincial and municipal authorities would be elected, and the press and trade unions would be free—“only the Communist party will be banned.” It is not unusual to hear the pretender criticised in liberal-monarchist circles—for the somewhat Gaullist vagueness of his public declarations, or because, while remaining in exile himself, he allowed his son to return to Spain and thus lend the regime a cloak of legitimacy. (Don Juan’s

answers to these criticisms are that only if his declarations are “all-embracing” can he unite the nation; and that it was necessary for his son to return lest the royal house lose touch with the armed forces.) *Unión Española* has no dogmatic party line. Its basic contention is that if the next regime were to be either republican or dictatorial, one side or the other in Spanish politics would be so apprehensive or impatient that violence would ensue; thus, only a liberal monarchy can bridge the gap.

Unión Española is supported by many formerly republican conservatives and liberals. It enjoys the good will of most *Catalanistas* and Catholic democrats (who are the intellectual nucleus of the still embryonic Spanish Christian Democrat movement; their leader, Sr Gil Robles, a former republican minister, is probably the most influential lay Catholic leader in Spain today). On the Mediterranean coast many socialists are willing to support a liberal monarchy, at least for a trial run; in Madrid and the north, socialists tend to approve the demand of the exiled socialist party (PSOE) for a plebiscite on the constitutional issue. The man in the street displays little overt interest. Two or three Madrileños said: “Madrid is a socialist city. I can’t imagine a king here.” Catalans said: “A king, a taxidriver—anyone rather than Franco!” Basques tended to be republican. But the commonest type of comment in all regions was resigned: “If the Church (or, according to the speaker, the army, or *el Opus*) wants a king, we’ll have a king. Who cares what we think?”

Abysmal educational standards, a subservient press and radio, and a general subjection of intellectual life to expediency may, indeed, have combined “to uproot and destroy responsible public opinion,” as the Basque priests said in their protest last year; and the bread and circuses of mid-twentieth-century Spain—cheap alcohol and *tapas*, soccer and bullfights—are powerful opiates. But nature abhors this kind of vacuum, too. Most Spanish workers and middle-class intellectuals who own a radio admit that they listen “sometimes” to the communist “Free Spain” station; and most Spaniards now know something about the prosperity that ordinary people enjoy

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in Europe north of the Pyrenees. Privation and ignorance can be mutually sustaining; privation and even a grain of enlightenment can be explosive. Socialists and liberal monarchists in Madrid, and communists in Barcelona, are in agreement on one basic point: “Franco is the Spanish Communist party’s best recruiting agent.”

Do the western powers mind who moves into that empty palace? One wonders. The Americans have an admirably alert, well-informed, well-intentioned aid mission in Madrid; but their aid programme is tainted with the original sin of its conception as the adjunct of a stopgap military policy. Their longer-term political interests have been harmed by an ambassador—now departed—who, as *The Reporter* observed, “often sounded more like Franco’s advocate than our own.” The French are well-informed on economic and cultural matters. Thanks to the combination of circumstances that has made of France a haven for Spanish refugees, Europe’s leading nominally Catholic power and (very likely) Spain’s future partner in the common market, the French are fairly popular, for different reasons, with both left and right; but their domestic political troubles have lessened their diplomatic significance in Madrid. The British, it is generally agreed, have never been liked by General Franco or by the more reactionary of his supporters. They have, consequently, little kudos to lose in that quarter, though the ingratiating tone of many official British utterances in Spain in the last two or three years shows little awareness of that fact. The liberal monarchists, on the other hand, say that the British are their natural allies. The once-popular BBC may still wean a few thousand listeners from the “Free Spain” radio if—as the latest signs indicate—it gives more space in its Spanish broadcasts to liberal points of view.

British embassy lumber-rooms the world over are littered with illusions about Britain’s “natural allies.” The British embassy in Madrid is uncannily like something out of an old film—a film seen in Farouk’s Cairo, then in Nuri’s Baghdad, again in Batista’s Havana. One is responsive to the same rustic charm; one recognises the same philosophical clichés, the same *dolce far niente* dressed up as political wisdom. The film livens up only towards the end. A day comes when hard things are said in the House about Our Man in Wherever-it-may-be. Our Man, packing his bags for some other part of the world, mutters wearily about lack of long-term policy; for embassies, after all, are but instruments. And—the name of the film? Was it *Waiting for Castro*?



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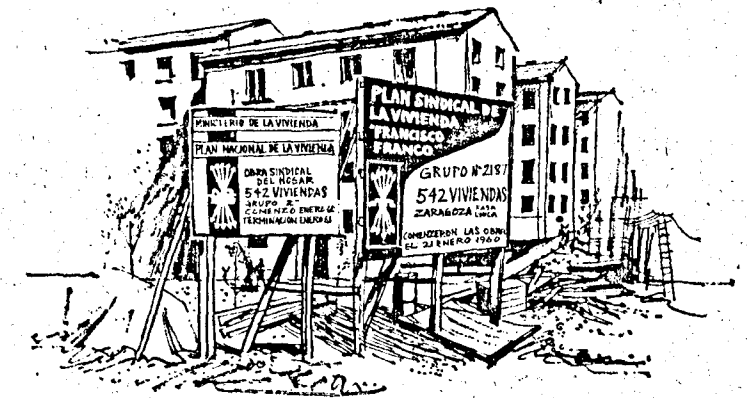
SHOCK THERAPY FOR THE PESETA

SPAIN’S per capita national income did not return until 1952 to the level at which it had been on the eve of the civil war. Between 1952 and 1959 it increased by an average of 3 per cent annually. Throughout the nineteen-fifties, industrial investment—much of it strongly autarkic in bias—was high, and by 1959 industrial output was 75 per cent greater than in 1948. It is interesting, however, to compare the percentage increases in representative sectors of Spain’s economy with those achieved in two other war-shattered countries, Italy and Greece.

PERCENTAGE INCREASES IN PRODUCTION 1948-1958 (inclusive)

	SPAIN	ITALY	GREECE
Mining	64	165	903
Textiles	30	95	136
Chemicals	151	277	224
Basic metals	131	199	-
Electricity and gas	152	74	286
Agriculture (crops) (1935-1958)	13	32	41

Italy and Greece were, of course, ahead of Spain in the queue for American aid. But the very nature of the regime that emerged



from the civil war saddled Spain’s economy with a degree of waste, nepotism and inefficiency that would be intolerable in a country where the normal play of political forces could work. “Ours is neither a capitalist nor a socialist economy,” a leading Spanish economist told this correspondent. “It is a predatory economy: the sort of economy you would expect an old-fashioned conquering army to impose. Rewards—in the shape of lucrative posts, monopolies and permits—for the victors; subjection for the vanquished. An export tax—the equivalent of a discriminatory tariff in foreign markets—was even imposed on one important sector recently because the economic conjuncture favoured its products and would therefore have benefited a group of business men known to lack enthusiasm for the regime. The minister responsible admits in private that the idea was imposed on him from on high.”

Development was, in consequence, more expensive than it need have been, and governed at times by emotional rather than economic considerations. It was patchy and unco-ordinated, and neglected the nation’s vital agricultural base. It was financed in part by the kind of forced savings that are levied by rising prices,

Some Spanish Statistics

IN response to pleas from OEEC, the US aid mission and the International Bank, a serious effort is being made to improve the reliability and comprehensiveness of Spanish statistics and speed up their publication. The selective zeal of many officials is still liable to ensnare the unwary. For example, foreign journalists may be informed that by 1959 agricultural output had increased by 59 per cent since the end of the civil war. If 1940 is taken as the base year the index for 1959 is indeed 159. But 1940 was an appallingly bad year. If the average for 1930-35 is taken as 100, the index for 1959 (itself an exceptionally good year) is 124; and 1957, 1958 and 1960 are all within a few tenths of 113. Against this must be set a population increase of 27 per cent during the same period.

Early this year government spokesmen announced that industrial production had increased by nearly 6 per cent in 1960; but the national revenue from industry in 1960 was 2 per cent less than in 1959 (more than 3 per cent at constant prices), and scrutiny of the official index showed its compilers to have given undue weight to growth-leaders. Western embassies in Madrid multiply by 2.5 or even 3 official

unemployment figures, which concentrate on redundancies among “permanent” workers who may not be dismissed without official sanction: they cover only a small percentage of the “temporary” workers for whom this protection does not exist (and for whom there is no unemployment insurance), and they ignore teenage job-seekers and the rural unemployed. Similarly, foreign observers divide by 3 official totals of the number of “low-cost” housing units completed.

Skirting this statistical minefield, one gets the impression of an economy broadly similar to that of Greece or the southern half of Italy. Of Spain’s active population of 11.7 million (total population: 30.1 million) 44 per cent gain their livelihood from agriculture, 24 per cent from industry and 32 per cent in services. In 1960 the national income was \$7,450 million, or \$248 a head. Agriculture contributed 26.5 per cent of this, industry 30.5 per cent and services 43 per cent—proportions similar to those for Cyprus and southern Italy. The efficiency of the average agricultural worker, measured in terms of wealth produced, is thus 60 per cent of the national average (the corresponding

figures for agricultural workers in Greece, Portugal and Turkey are 75, 59 and 51, respectively). But industrial productivity, too, is generally low by northern European standards: in shipbuilding, for example, only 3 gross registered tons of shipping are produced per worker employed, compared with 20 tons in Sweden.

The income of the average Spaniard is one-third of that of the average citizen of north-west Europe, and he spends 55 to 60 per cent of it on food; his expenditure on consumer durables is about 30 per cent of that of the average Englishman or Frenchman; his annual consumption of steel and electrical energy is only 27 per cent of the OEEC average.

In lumping together the incomes and living-standards of rich and poor, these figures obscure the fact that, except in the north, Spain lacks a substantial middle class, and there is no “average Spaniard” who can be considered the counterpart of the average Englishman or Frenchman. But a useful index of the growth of a middle class is provided by the number of scooters and motor-cycles in use (a scooter costs a middle-grade clerk the equivalent of ten months’ salary). In 1950 there were 13,600 scooters and motor-cycles on the roads of Spain; at the end of 1954 there were still only 60,000; but last year there were 650,000.

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combined with a wage freeze, on the wage and salary earners; for considerable periods, although the national income rose, their real earnings diminished. Public funds were poured into enterprises unable to attract private capital and of only marginal utility. INI—the National Institute for Industry, established to handle government investments ramified through the economy—became a byword for bureaucratic elephantiasis, inefficiency, and “jobs for the boys.”

INFLATION, a flight of capital and a severe balance-of-payments crisis forced the government to seek the aid of the OEEC and the International Monetary Fund; and in July, 1959, taking the advice of the two bodies, it adopted a swingeing stabilisation plan that involved devaluation, a credit squeeze, and a ceiling on government spending. Prices were decontrolled; customs and excise duties, railway fares and telephone rates were increased. To cushion the shock, loans were granted by the IMF, the European Monetary Fund, the United States government and American private bankers. Sixty per cent of Spain's imports were freed from quota restrictions, the state stopped allocating raw materials, and multiple exchange rates were abolished. These last three measures eliminated many corrupt practices.

Inflation was fairly speedily brought under control. The fall in domestic demand helped depress imports and stimulate exports—and receipts from exports and tourism flowed increasingly through official channels instead of into the black market which had been fostered by multiple exchange rates. The capital outflow ceased. Spain's gold and dollar reserves soared from \$14 million in 1959 to \$600 million in February, 1961.

But the social cost was heavy. A hint of the inequality of the sacrifices imposed on different social classes is contained in the fact that between 1958 and 1961 sales of scooters and motor-cycles fell by 60 per cent, while sales of cars for private use rose by 30 per cent. In Madrid 8 per cent of clothing shops (mainly those in the smarter parts of the town) increased their sales in the first half of 1960, while 54 per cent sold considerably less than in the corresponding period of 1959. Industrial unemployment soared to 300,000 (10 per cent of the industrial labour force: the estimate is that of the best-informed western embassy) by the summer of 1960. “Permanent” employees, who normally rely on overtime or a second job to help them maintain a tolerable standard of living, remained at work, but they had to make do with “basic” rates that were less than two-thirds of their normal earnings. Only rigorous security measures, reinforced by the decree of September 21, 1960, warded off disorders in the main towns. Some marginal enterprises, nourished by autarky and inflation,

collapsed, as the planners had hoped; but far too many sound firms, whose growth it was important to stimulate, drew in their horns.

In the opinion of one leading Madrid banker, the authors of the stabilisation plan were very fortunate. They underestimated the severity of their treatment, and were saved from plunging Spain into a major slump—and possibly revolution—only by a remarkable run of good luck: the boom in north-west Europe, and the US steel strike, which helped Spanish exports; Spain's exceptionally good 1959 harvest; the 1959-60 tourist invasion; the high level of hoarded stocks (built up steadily over two years as the peseta sagged) in July, 1959; and the agility displayed by firms in helping one another (for example, in extending credit and even bartering services and materials).

Other critics argue that the results of the stabilisation plan will remain fragile unless there are more profound economic reforms. The reforms urged include the further liberalisation and “globalisation” (freeing from bilateral quotas) of imports, the abolition of the remaining price controls, and the end of the system whereby governmental authorisation must be obtained before new industrial plant is set up or existing plant extended. Foreign investment needs more active encouragement. Legislation against monopolies is required. The banking system needs reform in several directions. Reform of the labour laws is urged, to liberalise the labour market, provide adequate unemployment insurance, increase workers' incentives, and encourage employers to use labour less wastefully. INI should obviously be submitted to normal accounting discipline: although it is allocated investment funds equal to one half of the total capital invested by private industry, it has as yet published only one report, which few economists take seriously. Most urgently, Spain needs a comprehensive development plan.

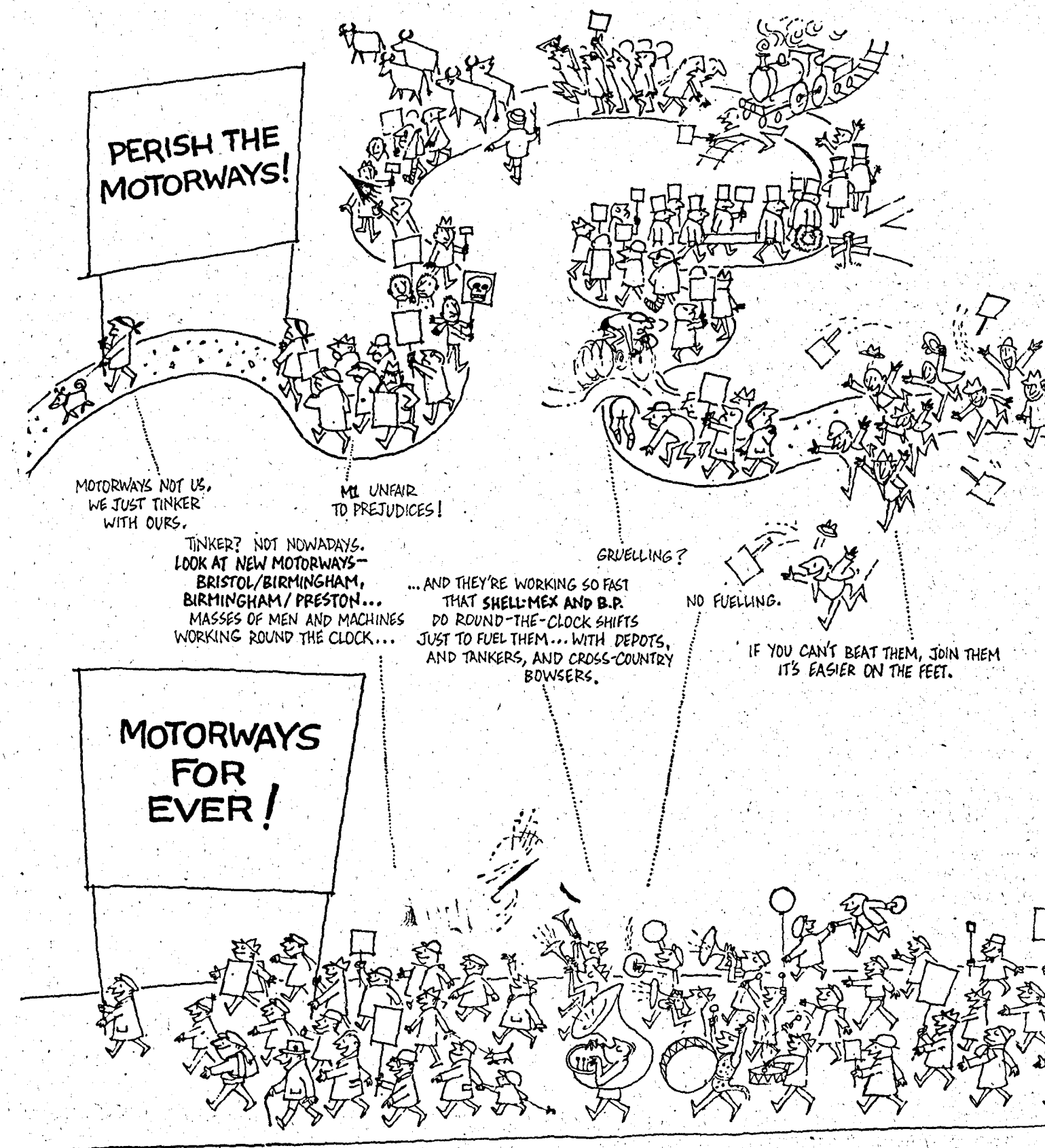
In fairness it should be said that many of these requirements are being actively studied. A strong World Bank mission which has just completed three months' work in Spain is to indicate the priorities that should be followed in the next stage of development. That the Spanish government should have asked for such a survey to be made is a mark of change.

But labour laws can hardly be liberalised without opening the door to free trade unionism. Anti-monopoly legislation and interference with INI would upset a whole beehive of vested interests, great and small. And how can INI be made accountable to the public by a government that does not expose itself to public accountability? In Madrid today both supporters and opponents of the regime are preoccupied with the thought that the liberalisation of economic life is extremely hard to separate from liberalisation in politics.

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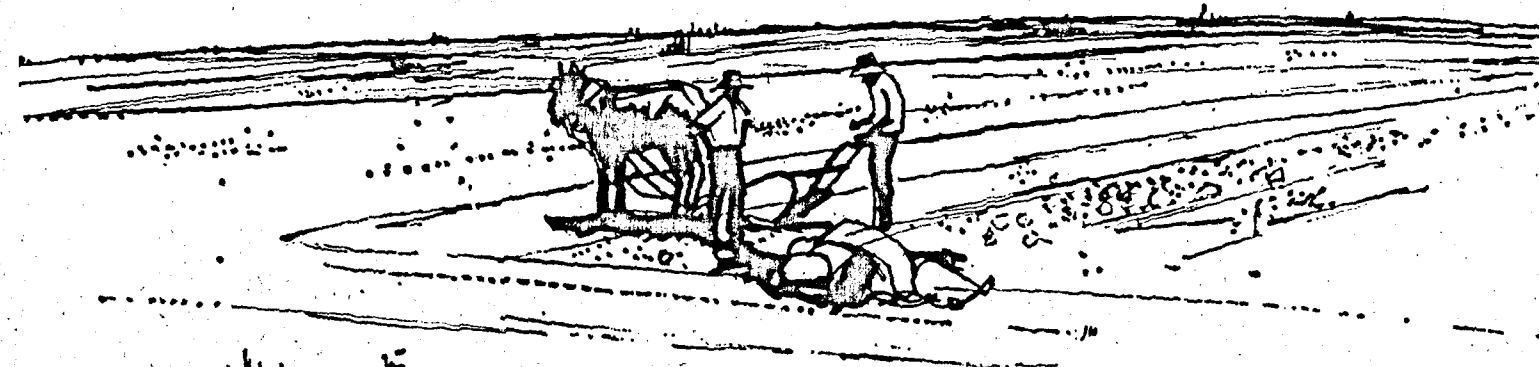
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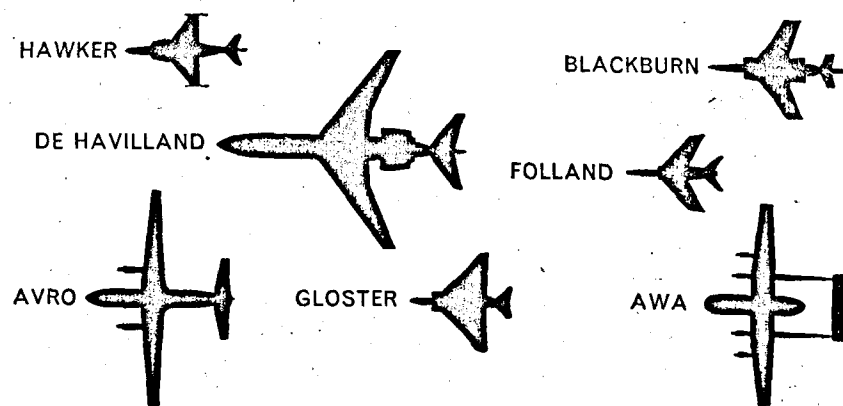
Facts worth remembering:—(1) Shell-Mex and B.P. Ltd are major fuel suppliers on Britain's new Motorways, as they were on M1. (2) They have the most experience in supplying fuels to road-building machinery on the site, day or night.

SHELL-MEX AND B.P. LTD - WORKING ROUND-THE-CLOCK ON BRITAIN'S MOTORWAYS

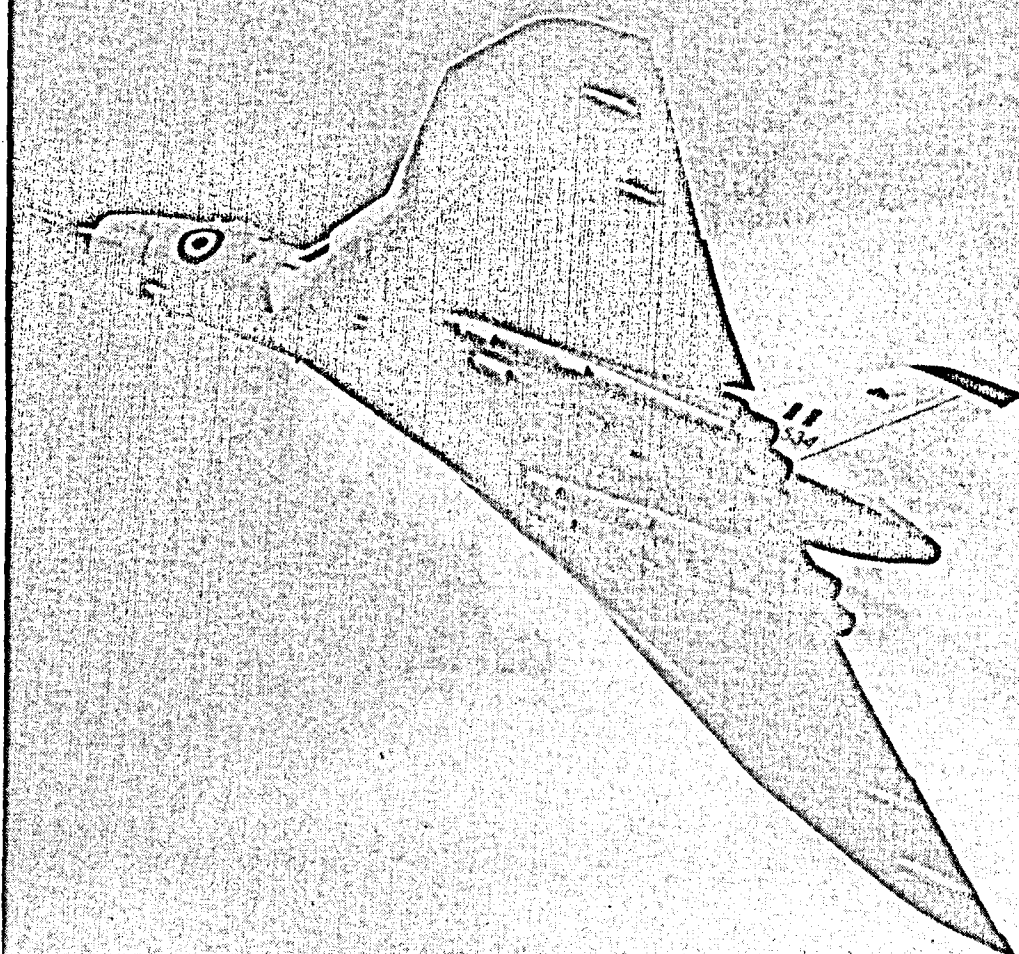


With an immense, strange beauty all its own, an Avro Vulcan B Mark II takes the air. The Vulcan bomber is the spearhead of Britain's nuclear deterrent force and one of the many products of the Hawker Siddeley Group. The Aviation Division of the Group is a strong, fully-integrated unit combining the wealth of experience, research, design and production facilities of seven world-famous companies. It produces brilliant aircraft and guided missiles for the Free World's defence. It is the teamwork that exists between member units of Hawker Siddeley Aviation that is helping to keep Britain ahead in aviation progress. And on other fronts—for example, electronics and all forms of industrial power—Hawker Siddeley Group is also serving not only Britain, but the World.

A Vulcan bomber recently made a record non-stop journey from England to Australia. It covered the 11,500 miles in 20 hours 3 minutes at an average speed of 573 m.p.h.



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THE BUSINESS WORLD

Clearing the Air

WHEN Professor Jack and his colleagues at the Air Transport Licensing Board last week admitted Cunard-Eagle Airways to a one service a day operation between London and New York, they struck a notable blow for more freedom in the air. Nothing perhaps will ever be the same again for nationalised airlines and chosen instruments—that is, if the Minister of Aviation, Mr Thorneycroft, endorses what the board has done. He is in for an unquiet life for the next few months. But it is time that the whole structure of international aviation, and not merely the British part in it, was put under the microscope. The rules and regulations; the treaties and quotas; the cartels, revenue pooling and profit sharing; the secret agreements; the horse-trading and knife-in-the-ribs which complicate civil flying are not apparent to the passenger. It does not necessarily follow that flying would be cheaper, more comfortable or more convenient if they were changed, but clearly it might.

For a new airline to get into business, it must first get a licence. It has to comply with the necessary engineering and safety standards as a matter of course. But it cannot get started without a licence which says where it may fly and how often. The British operating monopolies that BOAC and BEA enjoyed on their trunk routes were ended last year by the new civil aviation Act; any British-owned airline can apply to the Air Transport Licensing Board, as Cunard-Eagle did, for permission to fly on any route in competition with the corporations or with other independent airlines. In this first test case, the board was decisively in favour of more competition. Cunard-Eagle got permission to fly to New York, in competition with BOAC and with other operators; but its application to fly to Canada was rejected on the ground of insufficient traffic between London and Montreal to support a new service.

In fact, the form that competition takes will depend less on the economic criteria that enter into the judgment of Professor Jack and his colleagues than upon the attitude of foreign governments. The Air Transport Licensing Board's licence allows a British airline to carry passengers in and out of this country; it gives no assurance that its aircraft will be able freely to land at the other end. Airports are part of a country's sovereign territory and there is no freedom of peaceful entry to them such as ships have in entering docks. No foreign airline can come into an airport unless the two countries have first negotiated a treaty of reciprocal landing rights. In recent years landing rights have become increasingly contentious. For example, an international airline may want to develop its network, or re-shuffle its schedules to benefit from the im-

proved performance of modern aircraft. To do this, it becomes involved in protracted and often unsuccessful renegotiation of landing rights to make calls at more cities, or to serve two neighbouring cities, such as London and Paris, on one flight instead of making separate flights to each, or even to step up the number of services to points already served.

IN form, landing rights are negotiated between governments; in fact, national airlines in all countries are active behind the scenes and demand a *quid pro quo* for every "concession" their governments make. Before the United States Civil Aeronautics Board allows Cunard-Eagle to exercise its British licence to fly to New York, it may well ask for similar rights to London for an American airline—this might be for Seaboard and Western, which at present is not allowed to carry passengers on the North Atlantic although it does carry freight. Any country can refuse to admit a second British airline on routes already served by one of the corporations, irrespective of the British licence.

These inter-government agreements on landing rights all include the proviso that the airlines they admit must charge fares approved by both governments; they list the cities between which services may be operated and, in some cases, the share of passenger capacity to be allowed each airline. The working out of the details is usually left to the airlines and to serve these purposes they have evolved some of the tightest arrangements since the mediaeval guilds. That competition could ever take the form of lower fares is revolting and anathema to them. The international airlines operate their own fare-fixing cartel under the International Air Transport Association, with the approval and active connivance of their governments. Fares are worked out at the IATA meetings and then presented to the governments for rubber-stamping; this saves governments the trouble of working out each set of rates between themselves, as they have to do in the case of airlines such as Aeroflot or Icelandic Airways that do not belong to IATA.

As IATA's meetings are now organised, it is at least possible for the more enterprising airlines to bring pressure on the less enterprising and force fare cuts on a reluctant majority. When an IATA conference fails to agree (a single dissident is enough) the airlines in theory become free to charge what they like. In practice they have never got to the point of experimenting with free rates, simply because deadlock at IATA is

always the signal for governments to give their national airlines a sharp talking to and send them back with orders to find a compromise. This happened as recently as in May when the US Civil Aeronautics Board refused to sanction free rates for air freight and insisted on an agreed fixed tariff.

For air transport operators, IATA performs the role of strict yet beloved nanny. Governments and airlines secretly enjoy its nursery tyranny—and this extends well beyond the fixing of fares into such fields as defining the size of seats, the general standards of service, comfort and meals. The result is that airlines can compete neither in price nor in performance. (For the test of this, it is only necessary to compare the lush but meretricious standards of advertising in which the international airlines commonly indulge.) Heavy fines are imposed on any airline that steps out of line. Some enterprising operators have found a temporary way round these restrictions by hiring out aircraft on charter; this allows them to cut fares by half if nearly all the seats are sold on a chartered flight. But now airlines and governments are trying to check the growth of chartering; they are already ruling that only long-established clubs and associations may charter aircraft (and then not if their membership is too big). This effectively stops a group of people combining for the common purpose of a chartered holiday flight. The Ministry of Aviation is now playing its part in this restrictionism by insisting that all chartered flights must apply to Professor Jack for a special licence, whereas formerly they did not need one. Anyone else in the business can object to the granting of a licence, and can appeal to the Minister if one is granted. This is becoming a formidable and expensive hurdle.

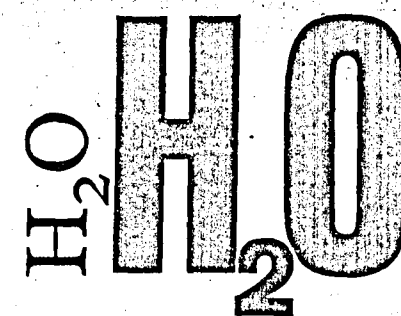
FARES are not the only matter in which air transport is controlled. The tendency of certain countries (not, as yet, the United States) to control the amount of capacity to be put on particular routes can severely restrict the implementation of any decisions reached by the Air Transport Licensing Board. Most countries in Europe, Asia, Africa and Australia impose quotas on carrying capacity. France, to take the nearest example, does not mind how many British airlines fly to Paris so long as the total number of seats they offer does not exceed the quota—which is already taken up by BEA. Suppose the board were to allow an independent airline to operate on the route to Paris, in competition with BEA (and others). Unless the quota could be enlarged, BEA would have to part with some of its present traffic to the independent airline. This pattern could be repeated on other routes where a quota system operates; BEA views this prospect with alarm.

Airlines show remarkable ingenuity in surmounting obstacles and their answer to the quota system has been the traffic pool. This is a bilateral cartel with nothing to commend it except that it allows an "intruder" airline to expand on routes where its growth might otherwise be blocked by local airlines appealing to their governments for protection against foreign competition. A traffic pool is simply an agreement not to compete. The two (sometimes three or four) airlines belonging to a pool lump their combined receipts on a given route and share them out in prearranged proportions. British European Airways has 16 pooling agreements, nearly one for every country it serves. The usual form is for BEA and its partner (usually a smaller and more vulnerable air-

line) to split their joint revenue on a predetermined basis up to a certain amount, and to keep for themselves any earnings over and above this. Such a pooling agreement has two objects: it guarantees the smaller airline a minimum income even if it carries no traffic; and it gives BEA some incentive to expand traffic above the agreed figure, since the local airline has agreed not to object.

Another type of pool, now increasingly used, provides for the sharing of all revenue with no upper limit. There may be an argument of some respectability for allowing a rapidly growing airline to buy off local opposition to its continued expansion. But what is the justification for a traffic pool that exists only to share out the takings? Some of BEA's later pool agreements take this form. So do those completed by BOAC, with the full blessing of Mr Sandys, in India, Australia and Canada. Anti-trust legislation prevents American airlines from joining pools, and so the North Atlantic remains relatively free of them. But airlines generally like the pooling system. They would rather settle differences privately than involve their governments in direct negotiation and a couple of airlines in a pool are not likely to overlook the fact that they can effectively keep out any competitor. Where they concern routes for which the Air Transport Licensing Board is hearing applications for new services, particulars of these agreements may have to be filed—with what enthusiasm can only be guessed. The point is under legal discussion and could conceivably go to a higher Court. The airlines wonder what will happen to the traffic pools if independent airlines are licensed to fly on the same routes.

But everything points at present to the Ministry encouraging, rather than discouraging, this carving-up of traffic. It had, indeed, been hoped that the corporations and the independent airlines would work out an amicable division of traffic without fighting their applications before Professor Jack and his colleagues. The sort of agreement the Ministry would have favoured appeared last year when traffic to Central Africa was divided between BOAC, the independent British United Airways and the local African airlines. Pressure was brought to bear on the corporations to offer the independents a similar cut on the routes now being contested before the Air Transport Licensing Board, so that the board's decisions would have become formal endorsements of private settlements reached out of court. But this time the corporations would not play. They may come to regret their opposition, but passengers ought to thank them for at least taking this stand against one aspect of the cosy conspiracy to hush up the fact that the air is far from free. They make much of the obvious irritants—passports, landing cards, and customs; but these are nothing compared with the restrictions, the cartels and the quotas that are worked behind the scenes with full Government approval. How can the Ministry of Aviation allow British corporations to take part in traffic pools that, at least by analogy if not in fact in law, would have to run the gauntlet of the Restrictive Practices Court in Britain? The corporations join pools because the Ministry cannot apparently protect their interests abroad. How the independent airlines fare will be the test of the Government's policy which started off with fine statements about more competition in the air, but is riddled with equivocation. If the independents need pool protection they will never be independent in any real sense.



Water under Control

Mr Brooke is thinking of rationalising the system of water supply in England and Wales by putting control over flood and drought prevention in the same hands

WHEN the Minister of Housing and Local Government was arranging emergency measures to deal with the havoc created by last year's freak combination of the wettest four months and the driest four months for centuries, he was asked by one anxious MP whether he could not "do something to solve the problem of alternating drought and flood." Mr Brooke replied, somewhat tartly but with his customary accuracy: "I am not God." He has, it now transpires, been hard at work "doing something." And the way he recently unveiled to a select few his ideas on how to achieve better regulation of Britain's natural supply of water led one senior figure in the water industry to inquire, with more than just mock acerbity, whether Mr Brooke's proposals are not somewhere to be found engraven on tablets of stone.

This sourness is pardonable, if not wholly fair. A committee was charged almost two years ago to undertake precisely this task of suggesting improvements in the present arrangements for water conservation but only recently has it got down to writing its report. Mr Brooke, who was keen to bring in a new bill in the 1961-62 session of Parliament, decided to wait no longer. Two months ago he sent an outline of the committee's proposals (or his department's: the parentage is obscure), in what was meant to be a confidential circular, to representative bodies and asked for their comments.

The response of the water supply industry to this circular has been arid. This is not merely because of the somewhat unorthodox way in which Mr Brooke has canvassed the industry before it has been presented with the detailed arguments of the Central Advisory Water Committee. The industry dislikes even more its substance: the proposals, it feels, are too radical. What Mr Brooke plans to do, in a nutshell, is to superimpose upon the present patchwork of partially controlled public and private enterprise in water abstraction a number of new "water conservation authorities," each charged with harnessing the water potential of a river basin or a group of basins and armed with full co-ordinating and executive powers to achieve this object. These bodies would take over the responsibilities of the present river boards for land drainage, flood prevention, water pollution, and the protection of fisheries. They would control all water abstraction within their watersheds, from rivers, streams, canals, and underground boreholes, by a new system of licensing. They would have the power of approval over all new development schemes of existing public supply undertakings. And they would be able to go into the business of water supply themselves, as wholesalers, either by constructing river regulating and other kinds of reservoirs on their own account or by getting an existing public water supplier to undertake them as their agent. They would then sell water to public supply undertakings or to anyone else wanting it.

The water industry suspects, probably rightly, that this marriage between flood and drought prevention is the direct result of last year's widespread flooding. Inundations on that scale occur seldom and complete prevention would mean frighteningly expensive schemes of river regulation. Moreover, it can reasonably be argued that the two tasks are not always compatible. At winter's end the public water supplier likes to have his reservoirs full, ready for the peak demand of spring and summer. But this is just the time when, if the risk of flooding is to be avoided, regulating reservoirs should be almost empty, ready to take off surplus water pouring downstream.

The industry particularly fears the proposed powers of control over abstraction and over new investment for conservation. Energetically used, these controls could lead to the freezing of existing water undertakings in their present state of development. The industry is emphatic on what it has done lately to put its own house in order. Amalgamation has reduced the number of undertakings from more than 1,200 five years ago to about 700 now—though only, it should be added, after sustained prodding from Whitehall. In a few more years, the number could come down, perhaps to 200 or 300. Capital expenditure, too, has been steadily rising, to nearly £40 million a year now. In general, the industry is in no doubt about its ability to meet a two or three per cent a year growth in demand for water from the tap.

BUT only part of the water used in England and Wales (and in Scotland) is drawn from the pipes and taps of the water supply industry. Many industrial firms and farmers, and some householders, abstract their own supplies from underground or passing watercourses. Just as any conflict between the requirements of flood and drought prevention might be more easily resolved if the responsibilities were in a single set of hands, so the competing demands of public undertakings and private abstractors ought to be better adjusted by a single conservation authority in each major watershed. There is no real co-ordination among the various drawers of water, reconciling their needs and resources over a period of years. Only in certain declared conservation areas is the tapping of underground water subjected to control under the 1945 Water Act, and nowhere is surface abstraction supervised. Yet the two are interdependent: tapping one can affect supplies from the other, and water tables in a number of areas have been dropping steadily, even alarmingly. The sharp increase in drawings of surface water to irrigate crops, in East Anglia especially, has now begun seriously to deplete the natural—or desirable minimum—flow of several rivers and streams.

Management of river basins is the linchpin of Mr Brooke's new arrangements, and these need a single overseeing eye. Changes in land drainage, in cultivation, or in building development—many things affect the flow of rainwater to streams and rivers. Conflicting interests—fishing and industrial discharge, navigation and flood regulation—have to be reconciled. More and more of the water that industry and the public will want to use will have to come from rivers. And more and more effluent from sewerage plants and factories will have to be discharged into them. In some watersheds, competition between public water undertakings for future sources of supply has already become serious.

The success of Mr Brooke's proposals would turn on what the new conservation authorities made of themselves and their powers. The need is not for blown-up river boards but for a more compact type of authority. River boards each have 30-40 members, representing a variety of local interests. Mr Brooke is deciding between a wholly nominated board of twelve and one twice as large, half appointed and half elected by local interests. Though there are few precedents (the Metropolitan Police being one) for a nominated body with powers of precept on local authorities, which the conservation authorities would have, the right choice would seem to be the fewer the better. They would need to use a judicious blend of their negative and positive powers of control. Apart from the fiat over new investment schemes, the main negative control will be the issuing of licences. In practice these would be mainly effective only over new drawings of water—existing abstractors would be entitled to a licence as of right. But not entirely so. Conservation authorities would have the power to review existing drawings, subject to appeal to the Minister; unrestricted tapping of underground water would be limited to the maximum taken in any of the three years preceding control; and riparian owners would be entitled as of right to draw from water flowing past their land

only to the extent that they actually did so in the preceding three years for the "ordinary use of their households and cattle."

The main positive control would be that of planning and carrying out schemes of regulation and conservation. For this the conservation authorities would need money. And their financial powers are perhaps the most sketchily described of any in the Ministry's circular. The functions taken over from the river boards would be financed as now—from Exchequer grants, precepts on local rates, and the general and special drainage charges provided in the Land Drainage Bill now going through Parliament. As conservation authorities, however, the new bodies are to be self-financing; they will not get Government grants. Their principal source of income will be charges for licences authorising new drawings of water. Occasionally, and only as a special device to build up working capital and, presumably, to service their borrowings, they will also be able to levy a precept of up to a penny on local rates. It would seem that either new abstractions would be soaked to pay for large schemes of river regulation and water conservation, or the new authorities would not be able to do much in their early days. In some parts of the country this might not matter; in others it could, very much.

Mr Brooke has rejected arguments favouring some kind of central water authority charged with administering the water needs of the whole country. Instead, he has gone for a kind of regional control, based on watersheds. His ministry will retain general responsibility for water to Parliament, acting partly as an appellate body and partly as a central co-ordinator—for such tasks as transfers of water between watersheds. The merit of these arrangements will ultimately depend upon the resourcefulness and initiative displayed by the men put in charge of the new conservation authorities. They will have the powers; what is less sure is whether they will have money enough to carry them out.

BUSINESS NOTES

THE EXCHANGES

The New Slogan

STERLING regained some ground in the exchange markets at the beginning of the week. The rally, which carried the spot rate on New York up to \$2.79 3/16, was almost entirely technical. Some operators had sold too much in their now familiar weekend precautions, and there was more bear covering to prepare for window dressing at the end of the half-year. But the underlying mood has not changed, and by Wednesday afternoon the sellers were back in the market, pulling the rate below \$2.79 again. The selling came largely from Germany. But throughout the week sterling has been sold forward from New York, and the forward margins continued to widen even while the spot rate was rising. At mid-week the forward rate on New York steadied at a discount of 2½ cents for three months—equivalent to an annual discount on the spot rate of about 3½ per cent. The

glum talk about sterling which a month ago was confined largely to London and the Continent, mainly Germany, is now in general circulation in financial markets everywhere.

The effects of Dr Jacobsson's strong reassurance a fortnight ago have largely worn off—partly because this was followed a week later by the shocks from Canada and South Africa. These are probably not quite what Dr Jacobsson had in mind, and he did refer to "major" financial centres. But exchange dealers do not make these fine distinctions. They felt, once again, a sense of let-down, and see this as confirmation of the new slogan that one must believe nothing and prepare for everything. This week's visit to Washington by Sir Denis Rickett of the Treasury and Mr Maurice Parsons of the Bank of England was described as routine, but that is the last word to apply

to the task that faces the few men on whose vision and resolution this summer so much depends.

The Canadian dollar this week, somewhat surprisingly, has been steady at around 3 cents discount on the United States dollar, the rate to which it fell immediately after Mr Fleming announced his intentions ten days ago. This week indeed the Bank of Canada has already had to sell Canadian dollars to stop the discount from narrowing. Operators have been quick to cover short positions, and superimposed on this has been a fair commercial demand, partly for purchases of grain for China. But the volume of business in Canadian dollars has remained small, probably less than one half of its normal level. Dealers still think that the discount may widen to 10 per cent if United States investors begin to fear a slide in the rate. Certainly it is remarkable that operators should have covered their short positions so soon.

In Continental exchange markets, the US

dollar has again been in demand at Frankfurt. This movement is believed to be attributable to official operations, but the United States authorities are succeeding in keeping a close cover over their operations.

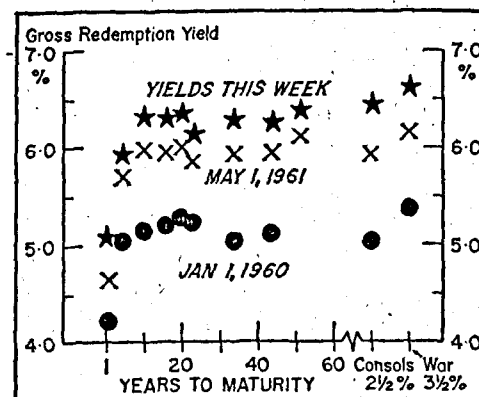
IN THE MARKETS

Gilt-edged Still Falling

THE slide in gilt-edged went further in the first part of this week, and War Loan dipped to 52½. This is more than four points below its level immediately after the budget, when Treasury spokesmen and most outside observers were looking forward to better times for gilt-edged; and it is eight points below the low point reached after Bank rate was hoisted to 7 per cent in 1957. How much further can the slide go?

The dominating factor in recent weeks has been the pressure on sterling, and the lack of any clear indication of what the government intends to do about it. The buying of gilt-edged earlier in the year by insurance companies and short-term speculators has dried up almost entirely, and a steady stream of selling by private investors has brought prices down further than most people would have thought possible some time ago. War Loan and the other irredeemable stocks are particularly out of favour, but the losses have extended right through the range. Since the beginning of May they amount to around three to four points on long dated stocks and around two points on the medium dated.

Quite rightly, the authorities have made no attempt to support the market, and Treasury spokesmen are again resisting the old cry that something should be done about War Loan. The one real inequity, the trustee legislation, has now been dealt with. Any argument for special support based on the thesis that present yields reflect not the current balance of supply and demand for capital but the overhang from the great lump of old wartime borrowing is specious and fallacious. There is no shortage of institutional money prepared to come in to buy dated fixed interest stock once the rate of interest is judged to be unduly high, and the gilt-edged market is fundamentally a single entity. The institutions showed



The uncertain factor is whether the looming crisis over Berlin will take any glitter off the mark. On past experience, it may not—though it has led to some foreign liquidations of German shares.

themselves interested in yields well short of the current 6½ per cent before the balance of payments again upset their calculations.

When these ever-more attractive yields at last begin to attract, the response in prices could be sharp. The obverse of a market that everyone is getting out of is a strong technical position. But until the prospect for sterling becomes clearer few people would venture to call the turn.

A Technical Rally

HAVING fallen steadily for ten days, industrial equities rallied a little in the middle of this week. A few buyers reappeared but the market remained sensitive and uneasy. Dealers characterised the rally as technical, noting that it occurred after the *Financial Times* ordinary index had fallen just below 320. Spanning the sharp drop in prices immediately after the weekend and the subsequent minor rally, *The Economist* indicator fell 8 points to 383.2. At this level, the shares included in this indicator offer an average yield of 4.8 per cent, one half of one per cent more than was offered at the height of the boom in May when the indicator rose to 427.2.

The sharp fall on Wall Street and the news of strikes at home contributed to the decline in equities after the weekend. But the principal reason why buyers refuse to return in any large numbers to the market is the continuing uncertainty about sterling and the economy. In the decline that has taken place, all industrial groups have been affected and only in the special case of two commodity groups—lead-zinc and tin—have rises occurred in the last three weeks. The groups that have suffered the biggest losses include building material and property issues (where yields were very thin) and steel equities (which have been affected by a series of gloomy interim reports from the steel-makers). Other big falls have occurred in bank shares (reflecting a reaction to the misguided speculation that followed the Midland Bank's rights issue) and food and store issues (which have enjoyed the dubious distinction of being labelled at one and the same time "growth" and "defensive" equities and which as a result offer meagre yields). Even, however, in such unsettled conditions as these it has been possible to place a large block of Woolworth shares from a private account with the institutions just under the current price without disturbing the market.

RAILWAYS

The Year of Guillebaud

THE story of British Railways' finances in the last few years is strewn with "might have beens." Three years ago the unexpected collapse of coal and minerals traffic knocked hopes out of court. Last year it was a massive Government-induced surrender on railway wages and salaries that set back—possibly for many years—expectations of real financial improvement. The final cost of this 8-10 per cent increase, following the Guillebaud report in March, 1960, but back-dated to the beginning of that year, was £33 million. Otherwise, the Transport Commission reports for what is probably the penultimate year of its writ over nationalised transport, the results of the railways and its other undertakings in 1960 were "on the whole a little above expectations."

Had railwaymen's pay remained unchanged, British Railways' working deficit, before interest, would have dropped by £7 million. In fact, the deficit jumped by £26 million to £68 million. After charging £45 million for interest on capital borrowings before 1957 and other central expenses, the "overall" railway deficit recorded in the accounts rose by £28½ million to £112½ million, while the "overall" surplus of all the commission's other businesses rose in total by £1½ million to £11½ million. In reality—if any figuring of railway insolvency can be said to be real in the present state of limbo before the promised financial reconstruction is put into effect—the total loss on the railways last year was £145 million on a turnover of £479 million. Interest totalling £32½ million on modernisation borrowings and deficit advances since 1957 was transferred to special account, as against £25½ million in 1959. Moreover, since railway losses are now met out of budget revenue above-the-line, grants paid to meet losses incurred since April, 1960, have not borne interest.

The railways took in more money last year, about £21 million or not quite 5 per cent more than in 1959. Passenger traffic fell but higher fares led to a net increase of £11 million in takings or 8 per cent for the year. With freight traffic the railways' experience was almost directly the opposite. More goods were carried but freight charges were cut—for general merchandise and minerals for the fourth year running—though in total freight earnings rose by a net 2½ per cent. In 1960, the commission records, "a massive effort" was made to boost freight revenue, which provides about two-thirds of total railway income. More express freight services, offering arrival the next day, were put on and the special express services for exports were also stepped up: by the end of 1960 almost 350 inland centres were provided with these overnight train services carrying goods for export direct to ten of the country's major ports. By last December, too, almost 40 per cent of the freight train mileage was run by

rolling stock fitted with vacuum brakes. Container services were again expanded and more special tank cars to carry liquids or solids in bulk, with pressure or gravity discharging devices, were put into service. Comments at the end of a Business Note a fortnight ago on the special freight studies the commission's new chairman has put in hand could be read as suggesting that railway management hitherto had been apathetic towards ways of stimulating and encouraging freight traffic, the basic bread and butter of their business. This is far from the truth, and the words then used were unjustified and are regretted. There is need for some central analysis of freight prospects and opportunities—there always is—but that does not mean that railwaymen have not already displayed energy and resource in endeavouring to win back tonnage from the roads. Last year, in fact, they succeeded.

INTERNATIONAL FINANCE

From Square to Beat

IN the fast changing world of international finance this year any topical discussion of immediate issues is in danger of being quickly outdated. Thus two high powered articles in the current issue of *Optima*, the magazine of the Anglo American Corporation of South Africa, seek to allay fears about a devaluation of the dollar. The authors are Sir Leslie Rowan, former chief of overseas finance at the Treasury, and Dr Franz Aschinger of the *Neue Zürcher Zeitung*, and they both point convincingly to the sheer irrelevance of the talk about the dollar and gold. In recent months the exchange markets themselves have seen the light, and the focus of critical attention has moved elsewhere.

But stay. This week has seen a flicker of renewed interest in the gold market, with the London dollar price up from \$35.06 to \$35.08½ and private demand from the Continent described as "substantial." The cause, pretty clearly, has been a remarkable series of articles syndicated among leading European papers by M. Jacques Rueff, whose name is widely respected in conservative banking circles. For M. Rueff, little has changed since 1929, and any "credit" not based on yellow metal is suspect and dangerous. His analysis bears a distant relation to the realities of credit management in the modern world.

While M. Rueff, in the unlikely company of Professor Triffin, gives dire warnings about the precarious foundations of the gold exchange standard, Sir Leslie Rowan emphasises "the dangers that will arise if countries superimpose on the fixed point of an unchanging gold price the rigidity of immobilising any foreign currency or gold reserves they may acquire (as Germany, for example, has done)"; he finds the answer "only through greater concentration of resources and flexibility in the IMF." But

he is cryptic about the means, saying simply that Britain should "support to the full any efforts" to increase the Fund's resources to the necessary extent. He is not in favour of mixing up short-term international credit with long term development aid. Dr. Aschinger for his part discusses the Triffin plan specifically; he finds it preferable to an increase in the price of gold but is not convinced that its advantages outweigh its dangers at the moment.

Meanwhile, the most radical scheme of all is put forward in the current issue of the *Three Banks Review* by Professor J. E. Meade. His scheme, not altogether surprisingly, is based on flexible exchange rates. Professor Meade has always argued that under such a system, exchange speculation can play a positive role. He recognises that this may not always occur in practice, and to ensure a sufficient volume of "well-informed" speculative funds, he would like to turn the whole task of influencing exchange rates over to an international exchange fund operated by IMF, which would take over countries' entire international reserves in exchange for gold certificates. Individual countries would then be free to concentrate on economic expansion, foreign aid and free trade while the international monetary authority concerned itself with foreign exchange rates. It is a neat division. The one practical difficulty might be to find the supermen who would not only, as in the Triffin scheme, make the world's most important investment decisions but foresee the future of exchange rates as well.

HIRE PURCHASE

Bowmaker Shock

THE troubles of the hire purchase finance companies are not over. On Thursday evening Bowmaker, in which Lloyds Bank has an interest of 25 per cent, announced that it had passed its interim ordinary dividend. In 1959-60, an interim dividend of 5 per cent was followed by a final of 13 per cent. The directors explained that a special investigation of the affairs of the wholly-owned subsidiary, Midland Counties Motor Finance, had disclosed that the provision for bad and doubtful debts made by that company in October last was "substantially inadequate." Midland Counties was acquired by Bowmaker at the end of 1958. The Bowmaker directors believe the setback to be temporary and they have taken steps to strengthen the management of Midland Counties. But they say that the exceptional provisions that will have to be made in its accounts this year, together with the normal provisions made by other companies in the Bowmaker group, may absorb the amounts available for ordinary dividends and in these circumstances consideration of any ordinary payment must await the outcome of the year's results.

BRITISH DRUG HOUSES

The Mead Johnson Plan

ON July 17th, at a special meeting called by the directors of British Drug Houses to consider the proposed link between BDH and Mead Johnson of Indiana, shareholders will have an opportunity to demonstrate their independence of mind and judgment. They can then voice their protest by rejecting the directors' resolutions. To do so, the small shareholders will have to band together for there are no big institutional holdings in BDH.

The effect of the BDH proposals is to tie the company to the leading strings of Mead Johnson. The proposals are apparently designed to strengthen the trading and research agreements between the two companies; to pump £5 million of new money into BDH from Mead Johnson in the next five years; to reinforce the management by the appointment of four of Mead Johnson's directors to the BDH board; and to give Mead Johnson 35 per cent of the BDH votes. The scheme, which is approved by the two companies' financial advisers, is complicated. Mead Johnson will immediately subscribe at 25s. per share for 390,000 "B" shares, each carrying ten votes to the ordinary share's one. Up to June 30, 1966, Mead Johnson can subscribe at par for £4,563,000 of 5 per cent unsecured notes, convertible at the end of 1964, 1965, or 1966 into ordinary shares at a price corresponding to 26s. per share. As the notes are converted, a proportion of the "B" shares will be converted into ordinary shares until the "B" units are finally extinguished. From the outset, Mead Johnson would have 35 per cent of the votes but, apart from the £487,500 it subscribes initially in "B" shares, it can delay putting its money at full equity risk until the end of 1966. It has agreed to subscribe £1,600,000 in notes immediately but the remaining £2,963,000 may wait at BDH's request until the middle of 1966.

Shareholders to Decide

MEAD JOHNSON, presumably, wants to strengthen its foothold in the British and Commonwealth pharmaceutical market and from its point of view this scheme, giving it an important say in the management of BDH, is valuable. But what does it do for BDH? It provides money at a comparatively cheap rate to repay £1,500,000 in bank loans and for future development; by bringing in new blood, it may strengthen the board of directors; and it widens the range of products that BDH can sell and extends its markets. But, as a result, the present ordinary shareholders may find themselves after 1966 with only 65 per cent of the equity in the company's growth. Nothing is very clear about the developments on which the new money will be spent or whether the prime beneficiaries of any new discoveries or developments will

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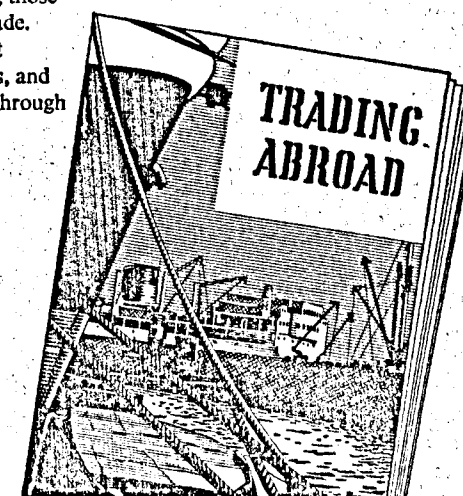
Some of the services which the Department is happy to provide are:

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- 4 Personal visits to manufacturers and traders for discussions on export trade problems.

In addition the Bank has its own team of specialists to assist British businessmen on questions arising from the Common Market and European Free Trade Association.

A further step has been the preparation of a revised edition of a booklet called **TRADING ABROAD**. It deals with many of the problems confronting those engaged in foreign trade.

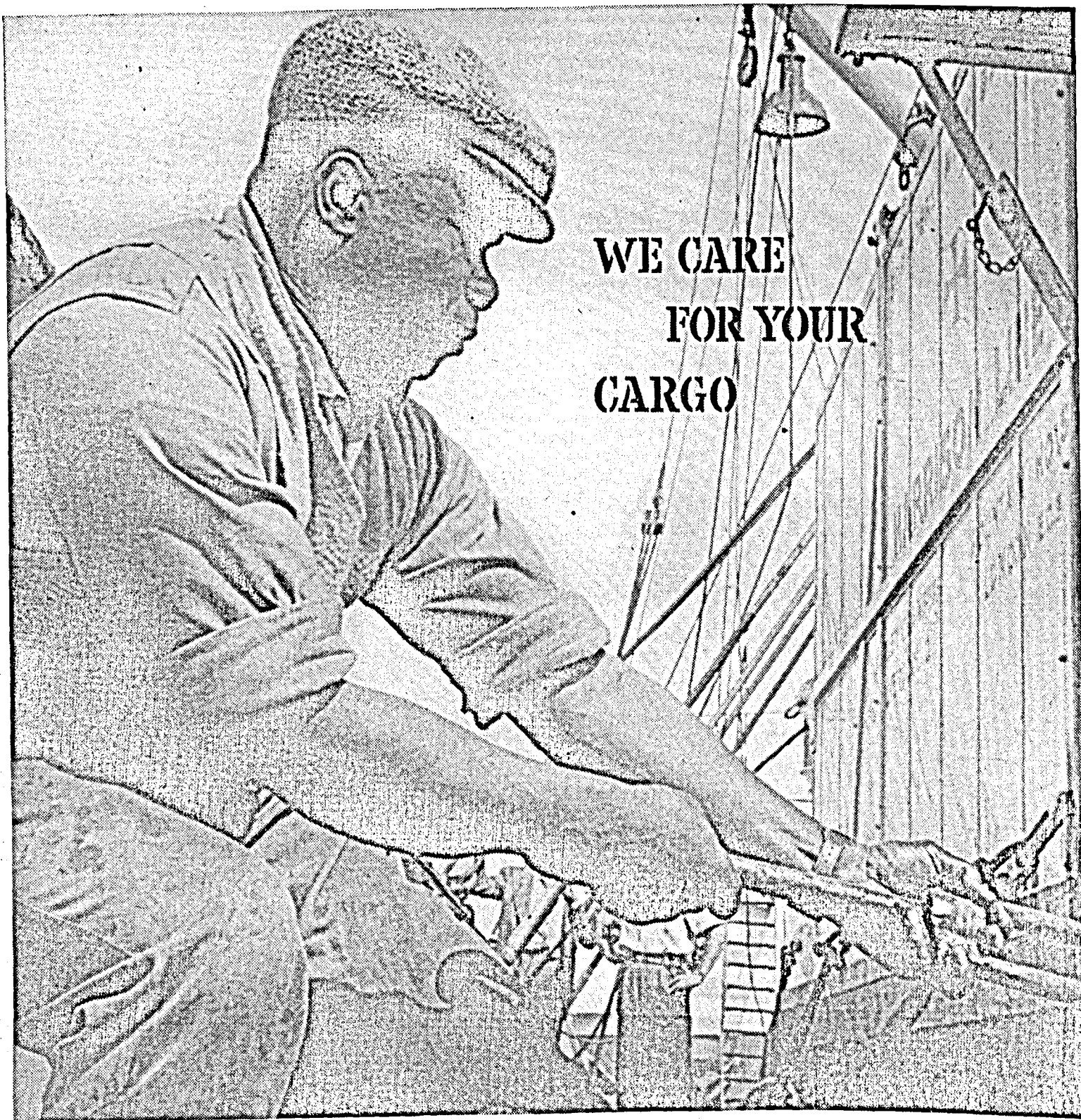
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be BDH or Mead Johnson. The scheme, moreover, leaves the present directors comfortably in office and could effectively block the chance of another company making an offer for the whole of BDH's ordinary capital.

Shareholders are being asked in effect to accept the present directors without future question and to hope that Mead Johnson will put enough life into BDH's profits to provide shareholders with a higher return. Not surprisingly, some of them would prefer a straightforward offer in cash or shares for their holdings. The affairs of BDH have not been beyond criticism. At the time of the Fisons' bid, *The Economist* questioned the advisability of introducing an announcement about an oral contraceptive into a take-over struggle. In answering this criticism, the chairman, Mr Geoffrey Eley, re-emphasised that results from clinical trials would not be available until the middle of this year. In his statement with the annual accounts, issued in May, he said "... sufficient clinical evidence to support a decision to market is unlikely to accumulate before the end of the year. We had hoped for rather speedier results but there is nothing that we can do to expedite the trials." This strengthened the impression that it was inadvisable to introduce news of the discovery at the particular moment that the BDH directors chose to do so. Though this may be past history, it has a bearing on the decision that BDH shareholders now have to take. If they are not satisfied with the management, they can force the issue.

OVERSEAS TRADE

Filling the Gap

THE full trade returns for May put a slightly less gloomy complexion on the sudden widening of the trade gap that shocked the City a fortnight ago. The Board of Trade suggests that imports which would have been landed in April but for the dock strike probably slipped into the May figures and therefore helped to cause the apparent interruption of the steady fall in seasonally adjusted imports. But this line of argument was not given such emphasis by the Board of Trade last month when the April figures gave the impression that an exceptionally large reduction in imports had been achieved. It is also suggested in defence of the poor export performance in May that goods that missed the boat because of the strike probably waited until after the end of the month for shipment.

The fact that £15 million of the £24 million seasonally adjusted reduction in exports last month was in exports to the sterling area is slightly reassuring. In the first place it was expected because of the retrenchment forced upon many of the Commonwealth countries, and does not therefore necessarily reflect any weakening in the competitiveness of Britain's exports. Since payment

would have been made with sterling balances, it therefore has no implications for sterling, unless the Commonwealth countries import more foreign goods instead. Exports from the United Kingdom fell by £40 million between the three months to February and the three months to May. Of this, all but £5 million was attributable to a fall in exports to the overseas sterling area.

Despite the rise of £10 million to £365 million in seasonally adjusted imports in May, imports in the last three months were still 5½ per cent lower than in the previous three months. In the same period, exports were 4½ per cent lower, but the fall in imports was enough to reduce the crude trade gap between imports valued cif and exports valued fob from a rate of £66 million to £56 million a month.

BUSINESS EXPENSES

The Clubman's Subscription

THE banks are not amused that the Commissioners of Inland Revenue have been fighting a case on business expenses relating to a bank manager's club subscription. The Court of Appeal this week reaffirmed the decision of Mr Justice Danckwerts last November that the subscription was not necessarily incurred in the performance of the manager's duties. Some remarks of the judges *obiter* seem to have wounded bankers' susceptibilities because, they say very reasonably, the allowances made for expenses to bank officials have been hardly more generous than the pittances that civil servants get. But the manager was a victim of the long-standing difference between the treatment of expenses under Schedule D and Schedule E—he being assessed under the latter Schedule which carries the additional criterion for the allowance of expenses in computing taxable income of "necessarily," in addition to the "wholly and exclusively" condition for allowable expenses for assessment under Schedule D.

All this has long been recognised as inequitable and anomalous; the Master of the Rolls is not the first judge to hope that the Revenue authorities will "some day" do something about it. The Royal Commission's report in 1955 suggested the criterion "all expenses reasonably incurred for the appropriate performance of the duties of the office or employment." In the course of discussing the different treatment of expenses under the two schedules the report declared that there was no good reason for treating Schedule E expenses less generously than Schedule D expenses except to the limited extent that some difference of treatment was inherent in the two kinds of income.

But nothing has been done on this point, and when it comes up in Revenue cases there is bound to be a conflict between what the taxpayer regards as "necessary" and

what the Commissioners would hold to be so. In this week's case the judicial comments ranged widely to the question of whether a bank manager who did not belong to a suitable club was capable of doing his job properly. The Master of the Rolls scented "some element of social snobbery." Lord Justice Harman asked "Do the bank's shareholders know about this? Are the shareholders told at the end of the year that they are spending so many thousands of pounds in this way?" Some bank shareholders might ask pointed questions if the banks did not spend money in this way. This suggests some element of "necessity" in the bank's mind.

If a bank reimburses a manager's club subscription that is a decision for the bank and its shareholders. It does not follow that the Revenue is bound under the present rules to accept the expenditure as "necessary" merely because the bank has decided to do so. In past cases there has been a fair degree of judicial sympathy with those to whom the strict provisions of Rule 9, which govern this matter, apply. But that has not prevented the strictest interpretation of the rule in the courts, and this has fallen severely on salaried incomes as distinct from profit incomes. The Royal Commission showed up the difficulties of defining the obligations on which the rule depends and a redefinition is long overdue.

POST OFFICE

Redeveloping the Sites

THE Post Office is losing no time in using its new freedom from detailed Treasury control. Mr Reginald Bevins, the Postmaster-General, announced in the Commons on Wednesday that he has now received reports from outside consultants on possibilities of redeveloping Post Office sites, and that these "confirm my view that the potential values that might be realised through more intensive development are considerable." Mr Bevins now plans to go ahead over a broad front. The degree of commercial development will be incidental on the smaller sites, but it will be a major element in redevelopment of valuable sites in the centre of large cities. Mr Bevins's "personal estimate" is that at least 200 postal buildings ought to be redeveloped in the next five years or so—and he expects a return on capital of 15 per cent. The Post Office is setting an example that could profitably be followed by a number of major institutions in both the public and private sector—not least the banks, which the Post Office may soon be confronting with stiffer competition.

BANK CREDIT

Still Advancing

FOR eighteen months now the monetary authorities, outside observers and bankers themselves have been waiting for

advances to stop rising. So far each indication of a check has proved false. Thus the relatively small increase of £25 million in April-May has been followed by an unusually large increase of £51 million in May-June. The bankers point to a number of special influence in the latest period, to June 20th. It covered five weeks instead of the usual four, and the late fall of the make-up day meant that advances at some banks were already swollen by the debiting of half-yearly interest, which in 1960 was reflected wholly in the July figures. Even after the large June increase, moreover, the increase in the first six months of the year as a whole is notably below that of a year before, at £268 million against £340 million. But in face of the liquidity pressures

LONDON CLEARING BANKS JUNE 21, 1961

	£ mn.	%	Change on Month	Year
Gross deposits.....	7,441		+ 91	+274
Net deposits.....	6,952		+112	+282
Liquid Assets.....	2,394	32.2	+ 80	+141
Cash.....	610	8.2	+ 17	+ 8
Call money.....	590	7.9	+ 10	+ 42
Treasury bills.....	967	13.0	+ 55	+ 9
Other bills and "Liquid" credits	227	3.1	- 2	+ 82
Special deposits.....	145	1.9	Nil	+ 76
Risk Assets:-				
Gilt-edged.....	972	13.1	- 22	-273
Other market investments.....	112	1.5	Nil	- 19
Advances*.....	3,497	48.6	+ 51	+364
(to State Boards)	61		- 1	- 3

* Excluding all transit items except ratio of advances to deposits; all ratios are of gross deposits.

on the banks on the one hand and the slackening in industry's stockbuilding on the other, a much bigger check on advances was expected. The fact that it has not occurred is another sign of the strength of the underlying demand for bank finance, which nowadays is geared to fixed investment as well as floating capital.

Liquidity pressures grew no worse in June, and with a rise of £80 million in liquid assets to set against that of £91 million in gross deposits the liquidity ratio improved from 31.5 to 32.2 per cent. The drying up of demand in the gilt-edged market has checked the raising of government finance in the long-term market, and bank liquidity benefits accordingly. But Barclays, with a May liquidity ratio at the bare 30.0 per cent, still felt obliged to sell a further £20 million of investments in June. This brought its ratio of investments to deposits to 15.1 per cent, below the ratios at the Midland and Lloyds but still well above the 11½ per cent now shown by the District and the National Provincial.

Shift in Lending

THE latest classification of bank advances shows some shift in the direction of lending: the continuing expansion is no longer so heavily concentrated on industrial borrowers. The credit restrictions imposed early in 1960 had only a modest effect in checking the rise in total advances. In the twelve months to mid-February these rose

BUSINESS NOTES

by £474 million, following the rise of £777 million in 1959-60; but three-quarters of the more recent increase was on account of industry and trade. The personal and professional group, hire purchase and other financial borrowers were finding it more difficult to increase their bank borrowing, though the banks were finding it equally difficult to cut it down. In the three months to mid-May, when total advances rose by

BRITISH BANKERS' ASSOCIATION (£ million)

	3 mths. to May, 1960	3 mths. to May, 1961	12 mths. to May, 1961	Total at May, 1961
Personal & professional	+ 42	+ 14	+ 25	705
Hire purchase.....	+ 22	+ 13	- 2	147
Retail trade.....	+ 31	+ 15	+ 15	384
Industry & oth. trade	+ 99	+101	+371	2,103
"Other financial".....	+ 22	+ 18	+ 15	337
Other groups.....	- 3	+ 7	+ 4	209
Changes in total.....	+213	+169	+429	3,886

£169 million, these advances have gone ahead again. The personal and professional group secured a further £14 million, and is £25 million up on the year; hire purchase, with a rise of £13 million, almost offset the three preceding reductions; and, perhaps most surprising of all, the big "other financial" group, which was believed to be one of the first objects of the banks' closer scrutiny, enjoyed a second quarterly increase, of £18 million, making a rise of £15 million on the year.

Industry and trade, excluding retail trade, increased its advances by £101 million in the three months to mid-May. A particularly large increase was shown by chemicals, from £44½ million to £65 million, and by the textile industries other than cotton. Advances to the engineering industries rose further, to £477 million—a rise of over 40 per cent on the year. But advances to iron and steel trades, which had also been rising strongly, were marginally reduced.

HELICOPTERS

BEA's Choice

BRITISH EUROPEAN AIRWAYS is trying to persuade Mr Thornycroft to back a request for dollars to buy three American helicopters. The chances look good. The Vertol 107 (the company was recently bought by Boeing) may do for the helicopter what the DC 3 did for the aeroplane—turn it into a commercially viable means of transport. It is certainly the first helicopter to hold any promise of paying its way; it flies at about 150 mph with two engines—this permits cross-Channel operation—and 25 passengers. BEA and the Belgian airline, Sabena, want to start a joint helicopter service between London, Brussels and Paris and would need perhaps six helicopters between them, costing about £250,000 each; they hope that Air France will join the experiment. But even if Air France were to stay out, this would not prevent BEA from running 90-minute flights

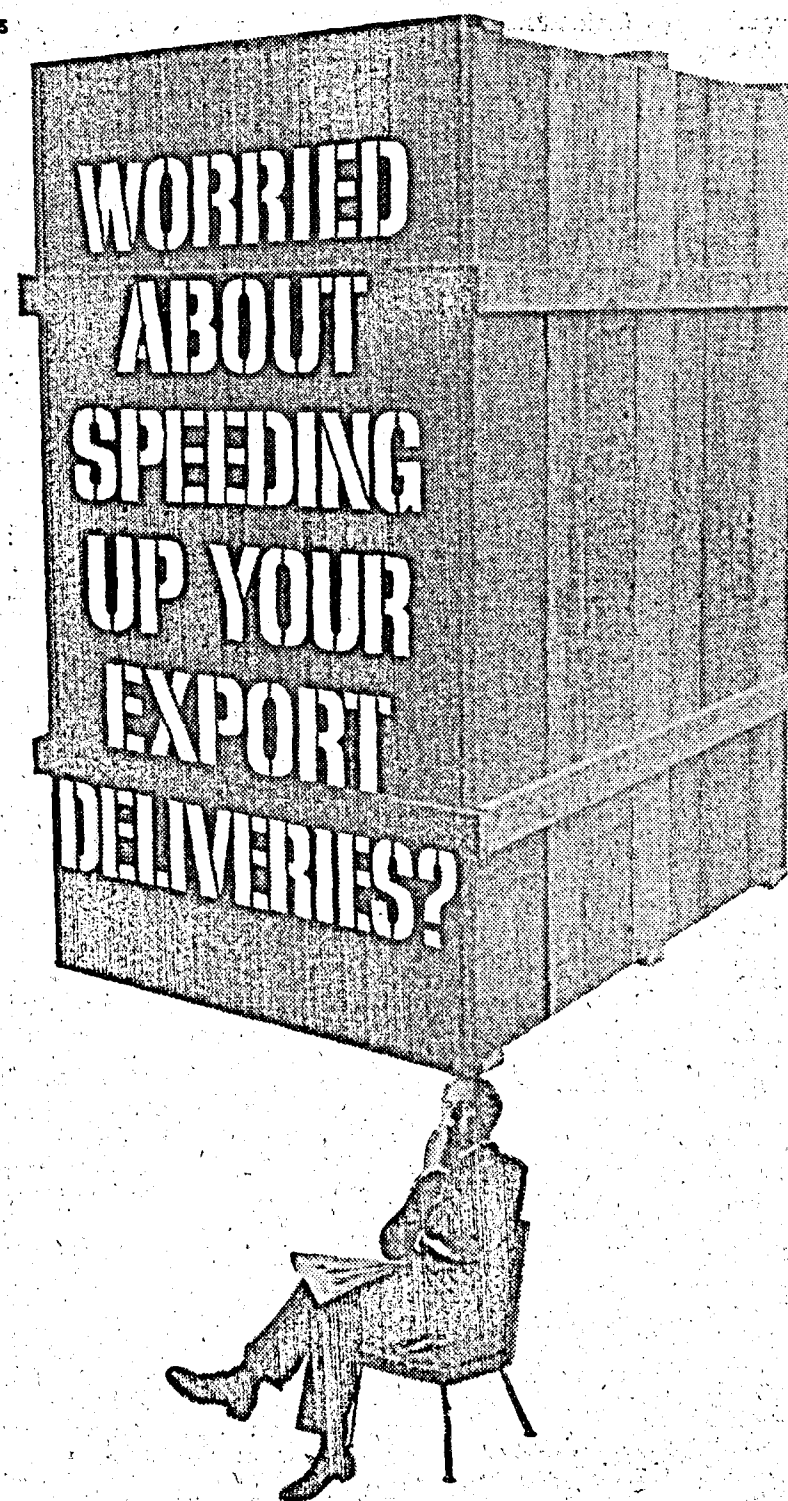
RESTRICTIVE PRACTICES

Linoleum Loses

UNLIKE the Monopolies Commission, which had to come to its own view of "the public interest," the Restrictive Practices Court has been provided with the presumption that all agreements brought before it are against the public interest unless it finds that they satisfy one of seven special considerations. The system of common minimum prices, discounts, and rebates operated by the Linoleum Manufacturers' Association was accepted by the Monopolies Commission five years ago, subject to certain modifications which the association subsequently adopted where "it considered them practicable." But the amended scheme failed last week to receive the endorsement of the Court (one of whose members, Mr W. L. Heywood, happened also to be a member of the commission five years ago).

The association's case followed the now familiar pattern of claiming that abolition would lead to a price war, and thus to a debasement of quality (something that the ordinary customer could not be expected to notice on purchasing linoleum), a permanent run down of retail stocks, high prices at times of heavy demand, and a reduction of exports. The seven members of the association, sharing over four-fifths of the industry's production, had been keenly competitive on everything but price, the Court held. If they had made unduly high profits or had become inefficient, Mr Justice Russell commented, the case would have not reached a full hearing.

But fears of a price war, the Court decided, were exaggerated at the present time of buoyant demand and in view of the further fact that three of the nine firms in this well-established industry were "very



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large." It held, too, that price competition in the home market would not disrupt the export convention the association had with leading continental linoleum makers. The Court can decide to uphold a trade agreement if its removal would lead to a "substantial" reduction in export earnings or volume, and many associations have tried to pass through this gateway. Although the Court has appeared to look less unfavourably upon collaboration between firms where exports are concerned, only one—the Water-Tube Boilermakers Association—has so far succeeded.

SECTION 54

Difficulties of Interpretation

A note last week on Mr Neville Faulks's official report on the Jasper affair recorded the difficulties of the banks in a strict interpretation of Section 54 of the Companies Act and the effect on quite legitimate transactions. This section prohibits a company from providing financial assistance either directly or indirectly for the purchase of its own shares. A banking correspondent illustrates the difficulties by examples:

1. A company of modest size is owned by two shareholder-directors, one of whom, anxious to retire, is willing to sell his shares to his colleague at a bargain price. This colleague, having no ready money, asks the bank to grant the company an overdraft so that he can borrow from the company to pay for the shares. The bank would turn this down as a clear breach of Section 54. But a way round the difficulty might then be found. The bank could grant overdraft facilities to the company, which, having big free reserves, could then make a cash distribution to its two shareholders. The retiring shareholder, having thus received say the equivalent in cash from this distribution of half his asking price, then obtains the other half by selling his shares at a reduced price to his colleague, who uses his portion of the cash distribution to complete the purchase. In this case Section 54 is probably not infringed; but Mr Faulks would seem to hold that the bank has "connived" at a circumvention of the law. Yet no one has been defrauded; the company's creditors are no worse off under either scheme; and the shareholders have both agreed to the scheme. On what grounds, then, should the bank turn the business down?

2. A public company has a running overdraft limit which is not fully used. Within this limit, it purchases for cash the share capital of another company, which has a substantial credit balance with the same bank. After acquiring the shares, the public company promptly borrows the credit balance of its new subsidiary and reduces its own over-

BUSINESS NOTES

draft. Is this a breach of Section 54? If it is not, what is the difference between such an action and the granting by the bank of a special temporary overdraft to cover the cost of the purchase which it was agreed should be repaid out of the credit balance of the acquired company? Yet the second action, involving a prior agreement with the bank, probably offends against Section 54.

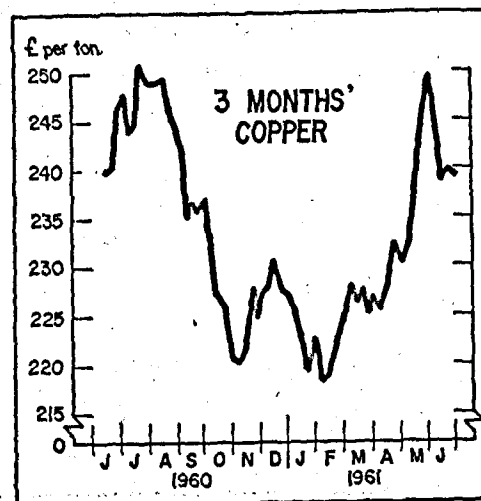
3. The public company, after acquiring the new subsidiary, might obtain the cash not by borrowing from the subsidiary but by selling it a fixed asset—a factory or a property, for example—owned by the parent. Would this circumvent Section 54? If, further, United Cheesemongers sells a consignment of cheese to Super Groceries and with the proceeds buys some Super Groceries' shares, has the latter company provided financial assistance for the purchase? It might be argued that there is a difference between the sale of stock-in-trade in the normal course of business and the sale of a fixed asset. But Section 54 does not so distinguish; if the acquisition of an asset for cash appears in some way to give financial assistance for the purchase of shares, the transaction would seem on a strict interpretation to be unlawful.

This conclusion may seem absurd, but these instances reveal some difficulties in fitting modern business practice that is in no way fraudulent into the framework of Section 54.

COPPER

Fair for All

WITH a success that eludes finer calculations, the 10 per cent cuts as individually interpreted and applied by the big copper mining groups to their operations seem to have been just the measure of relief that copper needed this year. So far, consumption of copper outside the United States has shown the more restrained rise expected after the enormous increase in 1960. But at the start of the year produc-



THE ECONOMIST JULY 1, 1961

tion cuts still left big tonnages for a recovery in American consumption to absorb, and with surprising speed, American consumption has been doing so. In each month since December daily deliveries of refined copper to fabricators have increased; in the first five months of 1961 average deliveries were higher than in any full year since 1956. In May more copper was used in the products leaving fabricators' factories than in any postwar month.

In January copper dropped slightly below £220 a ton, but last month the forward price jumped to almost £250 a ton. With a vast expansion behind them, but some more development ahead, copper producers are chary of high prices; copper is particularly vulnerable to competition from other materials. Consumption in the United States has never fully regained its level in 1956 when copper climbed to more than £430 a ton. The limits within which producers like to see the price of copper are therefore narrow: some say a price of £240 a ton is fair for all, although if all consumers were equally convinced of its fairness, the perennial talks about stabilising copper prices would presumably move more convincingly towards a conclusion. But since 1958 copper has been comparatively well behaved, with prices keeping roughly within the range of £220 to £280 a ton.

Producers can thank expectations of a rise in copper prices—two separate increases of 1 cent a lb were made by American producers in May—and anticipation of strikes for copper's rapid rehabilitation this year. Though American producers are apparently sold out for June, some of the steam seems to have gone out of the demand for copper, and prices have settled at a convenient level. Dealers who handle a small proportion of copper traded in America have been selling at a slight discount below the producers' price of 31 cents a lb. Japanese purchases of scrap and ore have been sharply reduced. In London, after a dip last week which coincided with sales of copper to finance speculation in tin, spot copper recovered to £234½ a ton. The prospects from this point on are finely balanced: a political strike in Rhodesia is not impossible and strikes over wages at the Kennecott plants in America and at Anaconda's Potrerillos and El Salvador mines are still threatened. But since they restricted output, producers presumably have some unused capacity in reserve.

WOOL

Little Wavering

ALTHOUGH wool prices passed their peak for a dismal season early in May, the subsequent decline has been only of the order of 3 per cent to 95d. a lb for merino 64's. Considering 64's never got beyond 84d. a lb. in the first half of the season, producers ought to be thankful, but small growers in Australia are probably distracted

THE ECONOMIST JULY 1, 1961

by the prospect that the inquiry into Australian marketing methods might hatch a scheme that will prevent such inconvenient dips in the first place. Australia's three-man marketing committee arrived in Bradford this week to hear the views of the wool textile industry. The British industry, and all other manufacturers represented by the International Wool Textile Organisation, are flatly opposed to any modification of the present free marketing of wool and are unlikely to accept any changes with good grace. The strong recovery in prices has helped to plug the hole made in Australia's overseas earnings by the prolonged decline in 1960. The gap between this season's wool cheque and last season's narrowed to £A44 million by the end of May and should obviously contract further in June.

Dominion wool prices are currently a little too firm for topmakers in Bradford who in recent weeks have obtained much less than the 111d. a lb which merino 64's tops fetched at one point last month from spinners. Though spinners, in common with the rest of the industry, enjoyed a higher level of activity in April, new orders have been harder to come by and this has been reflected in a pronounced weakening in demand for wool tops. Exports of tops, however, recovered in the first quarter of 1961; world trade in tops rose by 8 per cent, but Britain's exports increased by a fifth between the last quarter of 1960 and the first three months of this year. They were still 6 per cent lower than in the same period of 1960.

Britain imported about 14 per cent more wool in the first four months of the year, and stocks of raw wool held at the end of April increased to 201 million lbs. It is on the low stocks held by consumers that producers' hopes for firm prices up to the end of this year are based. Consumers normally increase their stocks to help to tide them over from the close of one season to the start of the next, though the extension of the Australian selling season has halved the two-month interval that was normal up to 1959. But consumption is still lagging, despite the improvement in April which might not last. British manufacturers used 6 per cent less wool in the first four months of the year. Consumption in the United States in the first quarter of 1961 was 17 per cent less than a year earlier, according to figures published by the Commonwealth Economic Committee.

INSURANCE

Peaks and Trends

IF 1959 was the driest year for two hundred years, 1960 was certainly the wettest this century but in both years insurers were badly hit by exceptionally bad fire wastage of around £44 million a year. This year should show whether these were two freak years or whether fire wastage in this country has permanently risen. In order

Continued on page 78

BUSINESS NOTES

ELECTRICAL MANUFACTURING

Steward's Account

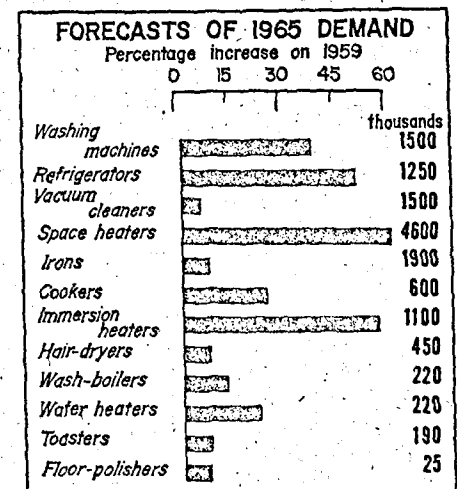
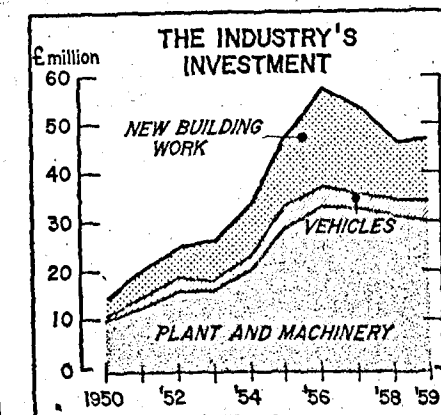
THE report that Mr Stanley F. Steward, director of the British Electrical and Allied Manufacturers' Association, gave to the British Electrical Power Convention on the state of his members' collective health raised most of the questions that the industry has been privately discussing since the abortive merger talks between the General Electric Company and English Electric last summer. Crudely put, the gist of those questions is: "Who drops out?" As Mr Steward explained, the pace of capital investment in the electrical industry has been outstripping earnings which "have not risen to anything like the extent of the capital needed to generate them." This tale of falling return on capital has been spelled out in detail in the accounts of each big electrical group.

It has been accompanied by a sharp rise in spending on research. Mr Steward calculates that this doubled between 1955 and 1958 from £33 million to £65 million a year; if research done by the Generating Board, the Electricity Council and the Atomic Energy Authority is added, he estimates, the total bill would be between £80 million and £90 million a year. Electrical plant makers have been taking on two dissociated programmes of development, one for the nuclear power programme and the other for advances in thermal generating. The glamour of nuclear power has kept these latter developments out of the public eye, but the building of generating sets up to 500 megawatts working under critical steam conditions is hardly less of a technical revolution.

Big generating sets and big nuclear power stations mean big orders but fewer of them. Here is one source of the industry's present troubles. Four big electrical groups and three nuclear consortiums are competing for the work; it is said in the industry that there is enough for two. Certainly the recent record compels the question whether the rewards at the heavy end of the electrical business—nuclear and thermal—justify the high

development cost to stay in the business. Such equipment is not a staple export—the industry's export trade is now running at nearly £300 million a year and its focal point gradually shifting from Commonwealth countries to Western Europe—nor is it specially profitable. Better profits are made, as Mr Steward hinted, in the electronics and domestic ends of the industry's business where development costs are modest.

So it is from the household market that electrical manufacturers get some stability to embark on the chancier business of making big plant. Sales of some appliances, like irons and vacuum cleaners, have reached saturation and the industry must rely on replacement orders; others, like washing machines and refrigerators, have some way to go before saturation. But Mr Steward's most interesting comments were on cookers and space heaters. Is it possible, reading between the lines of his paper, to detect some criticism of the offhand way in which the industry has set about selling such appliances? If a fraction of the development effort that goes into the industry's other products were applied to re-engineering some of the crude devices sold to the housewife, ways might be opened up to improve their efficiency, lower their cost and make headway against competing forms of cooking and space heating. It might, for example, be an education for British manufacturers to look at the layout and finish of some of the American equipment—particularly the cheaper models—on sale at the newly opened American trade centre in London, where they might learn that design is more than a question of fancy colours. This small exhibit contains unfortunately, little in the way of heating appliances. The chart shows Mr Steward's ideas of what a "special and thorough study" could do to sales in five years.



*on
the
spot*

Europe's first C-E-I-R Centre now offers computer services in London

WHAT precisely is a C-E-I-R Centre? In brief, it is the 'operations room' for the control of any and every technique of scientific commercial and industrial management. In the United States there is already a nation-wide network of C-E-I-R Centres, equipped with the most advanced available computing systems.

WHO are the people who run the Centre? C-E-I-R (U.K.) Limited, the British subsidiary of the largest independent commercial computer services organization in the world. The organization has a staff of over 400 mathematicians, economists, scientists, computer specialists, and programmers.

WHY is a London C-E-I-R Centre necessary? Because C-E-I-R's list of clients, which includes government departments and many famous commercial corporations, has extended rapidly in Britain. On-the-spot services were urgently needed—and now here they are, with some of the world's most advanced computer facilities ready to hand.

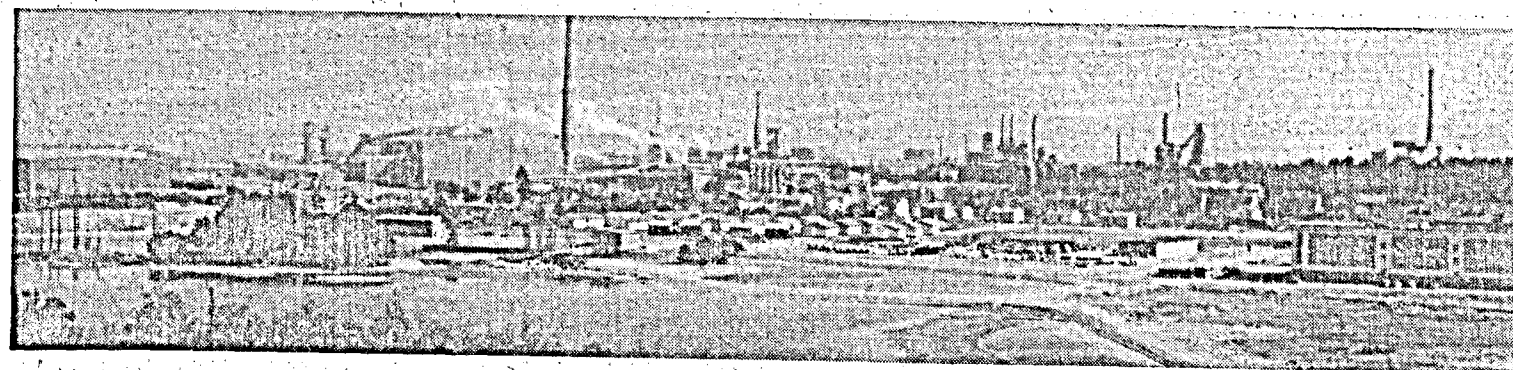
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SWEDISH STEEL

Venture at Oxelösund

FROM A CORRESPONDENT IN SWEDEN

HIS Majesty the King of Suecorum, Gothorum and some mythical lands across the Baltic—Sweden for short—has lately had a busy time putting the Royal stamp of approval on some major investments in the Swedish steel industry. This has involved not only pressing the ceremonial button but also asking a lot of pressing questions whether the expensive plant is actually going to work. A week or two ago, having set a 20-ton ingot on its thumping noisy journey through a train of slabbing and plate stands, he sat down to sup on the cooling bed of a new rolling mill in the company of some 2,500 steel workers, their wives and invited VIP's from near and far. The occasion was the formal opening of the integrated steel works at Oxelösund, built from scratch in four years at a cost of Kr. 600 million (£45 million).

No doubt the managing director of the Grängesberg Company, Mr. E. Waldenström, and the manager of the works, Mr. C. Sebarth, had to answer a lot of searching questions. Since 1957 these two gentlemen have pursued an idea unprecedented in the 400-year history of Swedish steel making. To old-timers steeped in the mystique of steel making and wedded to producing kilo batches of fancy metallurgical concoctions for abstruse ends, the new plant at Oxelösund borders on the immoral. Traditional Swedish steel managements regard dropping a customer—no matter how small or difficult—like stepping on bread. They have kept adding items to their production schedules until they find themselves burdened with a miscellaneous load which in alloy, shape and dimensional permutations runs into the tens of thousands. The cost of cataloguing this miscellany goes a long way towards paying for a respectable mill stand.

At Oxelösund, Messrs. Waldenström, Sebarth and colleagues have made life a great deal simpler for themselves, at least in this respect. They plan just to make medium heavy plate to Lloyd's and other underwriters' specifications, some 300,000 tons of it a year. To accomplish this, the Grängesberg Company acquired a peninsula the size of Monaco, jutting out into an ice-

free patch of the Baltic, some 50 miles south of Stockholm. The untidy town of Oxelösund has been torn apart and put together again and the craggy peninsula has been levelled to provide a site for the first major coastal steel works in northern Europe. Since 35,000 deadweight ton ships can dock quite close to the mills, the transport economy of the site is impressive.

The major facilities can be summed up briefly. They include two blast furnaces, complete with coking and Cowper stoves using pelletized concentrates, with an annual output of 460,000 tons. The melting shop has two liquid-charged Kaldor oxygen furnaces each producing 100 tons of steel every two hours and a 150-ton open hearth furnace for re-melting the mill scrap, with an annual capacity of 430,000 tons. The 1,800-foot rolling plant has a DC twin-drive Mesta blooming stand capable of breaking down 20-ton ingots. After being cropped into slabs of suitable size and re-heated, the new steel is rolled to gauge in a 4-high reversible Schloeman plate stand, and straightened, sheared and trimmed to delivery size. The whole operation of turning domestic ore and limestone and American coal into ship's plate is a clean, streamlined and crisp performance. Such mechanisation has meant heavy investment, costing about Kr. 2,000 (£140) per annual ton.

THE two rotary Kaldor furnaces have aroused furtive headshakings among conservatives. The Kaldor oxygen process is a domestic development that differs from the LD (Linz-Donawitz) and similar oxygenised speed-up processes in being more flexible. It can handle pig iron of different qualities, phosphorous and non-phosphorous, and it is less fussy about the purity of oxygen. But it is somewhat slower. Sloshing 100 tons of liquid steel about in a furnace rotating at 25 rpm is hard on the furnace linings. A Kaldor furnace can be kept in service for only a week, or some 70 charges, before relining. Thus only one of the two expensive units is in operation at any one time.

Moreover, only two Kaldor units have been put into production previously, at the Domnarfvet Steel Works—where the proto-

type was developed—and at the French Sollac works. It is daring to base the entire operation on such a short run of proven experience, but the faith of the management in the Kaldor process may have been justified. The chief metallurgist claims that the furnace crew got the analysis of the very first charge exactly right and, coming down to sweaty reality, the furnace foreman has had no headaches working with a green crew. Of the present work force at Oxelösund only one in ten had experience of steel making: the others—pastry cooks, sailors, plumbers, tailors, divers, loggers, and whatnot—had to be turned into steel workers double quick. Their stay-at-home wives, fretful and insecure amid bulldozers and swinging crane loads, had also to be conditioned to a new kind of life. No doubt some rugged individualists reacted sharply to this enforced regimen of togetherness, but on the whole the exercise in what is strangely called "human engineering" seems to have worked.

His Majesty no doubt had a lively recollection of an entirely different climate of steel making at the opening of the metallographic laboratory at Sandvik Steel a few days before. Here, in a building full of electron microscopes, metallographic X-ray, and high vacuum equipment, he learned about all the dreadful things done by traces of oxygen and nitrogen to the atomic structure of iron. The two new establishments are significant of the two major trends in Swedish steel making. The traditional so-called "quality approach," enforced originally by lack of capital and by the sheer necessity of having something different to sell from the standard product of a Thomas converter, is flourishing in the shadow of a global output of 300 million tons of crude steel. The greater the tonnage of steel produced the greater the need for special purpose steels. Towards the other end of the steel spectrum, the age-old problem of making competitive tonnage steels for a slim, unprotected home market has now been tackled by a chancy specialisation on one, or at the most, a few products. On this basis the mill units can be planned to an economic size. The spectre that has haunted Swedish steel makers for more than half a century may at long last have been exorcised.

to focus public attention on the continuing menace of fire the British Insurance Association has sponsored the Great Fire of Tooley Street Exhibition to commemorate the centenary of London's worse peace-time fire since 1666. In other non life sections too Mr H. A. Walters, the retiring chairman of the association, has far from encouraging news. The hurricane Donna which cost British insurance companies some millions of dollars dashed hopes of a small profit on underwriting in the United States in 1960. In the motor business in Britain companies have not been able to maintain the small profit—about 2 per cent of premiums—achieved in 1959.

INVESTMENTS OF BRITISH INSURANCE OFFICES

Life and Non-Life Funds, at Book Values					
	1959		1960		
	£ mn.	%	£ mn.	%	
Mortgages.....	813	13.4	927	14.0	
British Govt. and British Govt. guaranteed secs.	1,261	20.9	1,332	20.2	
Commonwealth Govt. Provincial & Municipal Stocks.....	243	4.0	255	3.9	
Foreign Govt. Provincial and Municipal Stocks	251	4.2	257	3.9	
Debentures, Loan Stocks, Preference & Guaranteed Stocks and Shares	1,284	21.2	1,358	20.5	
Ordinary Stocks & Shares	1,217	20.1	1,417	21.4	
Real Property & Ground Rents.....	553	9.2	615	9.3	
Other Investments.....	425	7.0	448	6.8	
Total.....	6,047	100.0	6,609	100.0	

Premium income of British insurance offices from all business again reached a new peak, amounting to £1,637 million in 1960—£117 million, or 7.7 per cent, more than in 1959. Net new savings through life assurance in 1960 amounted to £490 million, compared with £423 million in 1959.

The continuing growth in premium income is reflected in a further sharp advance in the investment funds of the insurance companies and, as the table shows, once again a large part of the new money (£200 million) went into equities. But gilt edged holdings rose by £72 million, by far the biggest amount put into this section of the market in recent years. This together with increases of £74 million in debentures and preference shares and of £114 million in mortgages, reflects the attraction of high yields on fixed interest securities.

The Committee of Lloyds has decided to drop its idea of forming a company to enter the life assurance market. This would have broken new ground for the Corporation, but the chairman, Mr G. Ewart Thomson, has now said that the working party set up to look into this project has not been able to agree on a recommendation for forming a life company sponsored by the Corporation or to enable individual underwriters to participate in long-term life assurance. At the moment their life business is confined to only temporary cover for not more than five years, but it seems that the door has not been shut to further ventures by individual brokers and underwriters.

DOMESTIC APPLIANCES

Nothing To Shout About

PRICE cuts of from 10 to 15 per cent from Kelvinator, and the dismissal of 500 men by Hotpoint, show that the refrigerator industry remains sickly. The improvement in the retail sales of British refrigerators in the first quarter has proved short-lived; sales in March were only five per cent below the corresponding month in 1960, but in April they were 20 per cent less than in April 1960. Since then sales have continued to be disappointing; a heat-wave for the rest of the summer now seems essential for the industry's health. Low retail sales mean that retailers, who had been encouraged by relatively high sales in the winter to build up their stocks of British refrigerators by another 140,000 in the first four months of the year, will now be more cautious buyers; and manufacturers cannot be optimistic about the prospect of ridding themselves of the 268,000 refrigerators that they still had in stock at the end of April—124,000 more than they had had a year before, but 55,000 fewer than at the end of January this year. Price cuts by manufacturers, either on old models, or by introducing new models at lower prices than those they replace, are now becoming common. Companies are still entering the industry, but such plans as those of Birmingham Sound Reproducers to do so with a four cubic foot refrigerator selling for 39 guineas will hasten the day when some of

the present manufacturers will have to leave the business.

Washing machine makers, though they suffered a bigger fall in retail sales last year than the refrigerator manufacturers did, have found that orders from retailers picked up with the new year; in value deliveries to retailers in the first quarter were only about 10 per cent below those in the first quarter of 1960. April showed little improvement on March; May was better, though it was still worse than April last year. The recovery in deliveries came wholly from an increase in demand for automatic washing machines and those that incorporate spin-dryers; deliveries of these machines were worth 24 per cent more than a year before, while those of the simpler washing machines were worth 50 per cent less. Part of this swing to more expensive machines, reflected in the rise in deliveries, results from the introduction of new automatic models such as the Hoover Key-matic in the spring. Only the middle and higher income groups, who are replacing older and simpler washing machines by more elaborate models, appear to be buying more; working-class buyers still seem to be kept out of the market for the more expensive machines, costing up to £140, by having to put down a 20 per cent deposit. A cut in the deposit for hire-purchase sales to 10 per cent is still the industry's prescription to raise appliance sales nearer to its capacity. Rumours that the Chancellor might have to use his power to increase purchase tax are enough to send shivers down the industry's spine.

SHORTER NOTES

Following last week's application by the National Farmers' Union under the Customs Duties (Dumping and Subsidies) Act for additional protection against imported barley, Mr Niall Macpherson, Parliamentary Secretary, Board of Trade, announced this week that the matter was being discussed with exporters. Dumping is hard to prove; the Board of Trade often succeeds in obtaining relief for domestic producers without making an order. In the past, it has been possible to withdraw applications for duties on aluminium from Russia, tomatoes from the Canary Islands and potatoes from France. This year negotiations with exporters have covered eggs, butter and barley.

The directors of Dorman, Long have declared an unchanged interim ordinary dividend of 3½ per cent. Trading profits for the half year to March 31st have been running at a lower level than for the corresponding period in 1960 and at the moment orders are lower than they were.

The Trans Australia Investment Trust Limited is being formed through Helbert Wagg and J. Henry Schroder. It will enable British investors to obtain a spread of in-

vestments in Australia and to avoid the complications of individual claims for double taxation relief. Initially, £3,000,000 of the issued capital of £5,000,000 will be issued in £1 shares and eventually it is intended to establish a market in the shares in London.

Lord Cromer takes over from Lord Cobbold as Governor of the Bank of England this weekend. The vacancy on the Bank Court is being filled by Mr H. G. Nelson, managing director of English Electric.

COMPANY AFFAIRS

Comments on pages 87, 88 and 89 on:
Courtaulds Rediffusion
Metal Box Allied Ironfounders
Express Dairy Hovis-McDougall
Airfix Industries Chad Valley
Lesney Products Lines Brothers
Meccano D. Sebel
British and Commonwealth Shipping

LONDON AND NEW YORK

Stock prices, yields and security indices on pages 90 and 91

LONDON STOCK EXCHANGE

The week's movements reported on page 89

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 92

COMPANY MEETINGS

THE MERCANTILE AND GENERAL REINSURANCE COMPANY, LIMITED

STATEMENT BY THE CHAIRMAN HUGH KENNETH GOSCHEN

LIFE DEPARTMENT NEW BUSINESS AGAIN REACHES RECORD LEVEL

The Annual General Meeting of The Mercantile and General Reinsurance Company, Limited will be held on July 18, 1961, at the Company's chief office at Moorfields House, Tenter Street, Moorgate, E.C.2.

The following is a statement by the Chairman, Mr Hugh Kenneth Goschen, which has been circulated with the Report and Accounts for the year ended December 31, 1960:

I begin my review this year by referring to Mr E. Hurlimann's retirement from the Board. Mr Hurlimann was in fact one of the founders of the Company in its present form as a reinsurance company and he leaves us after an association lasting almost 40 years. He brought us a great deal of business, he helped to guide us on the right lines during the early stages, and throughout we have derived untold benefit from his years of experience and wise counsels. He will be sadly missed. In his place the Directors have elected Professor Paul Keller, the present Chairman of the Swiss Reinsurance Company. We look forward to having the benefit of his help and advice in the years to come.

You will notice that this year the form of the accounts has been changed. Detailed results of each of the companies in the Group have in the past been made available; but with the growth of the organisation this has made the accounts too cumbersome, so this year we are publishing a consolidated account, which gives a better picture of the results and of the strength of the Group.

The overall result for 1960 is, I am glad to say, satisfactory. The business has expanded especially in Life, where once more we can report record figures and now the passing of the £50,000,000 milestone. After several years of continuous losses in the Fire and Miscellaneous Account, we have this year a small underwriting profit. Our Canadian company has at last had a reasonable year and our companies in Australia have continued to make good progress.

An Insurance Executive said to me recently in New York "It is Wall Street which keeps us." That there is substance, as far as the "M. & G." is concerned, in this statement will be apparent to you from a study of our Accounts. The job of the professional reinsurer is to level out the peak profits and losses of the direct insurers. We believe we do a considerable service to the Insurance Market by providing this help, but in recent years there has been an ominous trend towards leaner and leaner profit margins in the business as a whole. Thus during a period of exceptional losses, such as we have been experiencing during the last few years, but which must always be expected, far too large a part of the burden has been borne by the investment income.

This year, in order to provide against the

possibility of catastrophes to which I have referred, and to give strength to enable us to undertake the ever-increasing liabilities which we assume, we feel that we have not only to plough back the whole of the profit of the Fire and Miscellaneous, but also to make transfers to strengthen our Underwriting Reserves from what is, in fact, Investment Income. £150,000 has accordingly been transferred from Profit and Loss to Supplementary Provisions and a further £150,000 to Contingency Reserves. The Directors have felt, however, that they could recommend a small increase in the effective dividend and they have taken the opportunity of arranging that the dividend be declared gross instead of free of tax as previously.

Turning now to the individual Accounts.

FIRE DEPARTMENT

In the Fire Department the aggregate net premium income receded slightly from the level reached in the previous year under the impact of some important treaty changes in the home and Canadian markets. At home the concentration of the market into larger units has inevitable repercussions on the volume of business reinsured, whilst in Canada measures for improving underwriting experience and reducing administrative costs have had an even greater effect on our premium volume. Happily this was largely offset by the continued satisfactory development of our business elsewhere overseas.

The experience at home again suffered from a number of heavy fires, but overseas our business was generally profitable and the Fire Account itself closed with a small profit. We were fortunate indeed in escaping serious losses from the natural disasters which were unhappily a feature of the past year, the Chilean earthquakes, Hurricane "Donna" in the USA, and the cyclones over Mauritius. We may, however, be less fortunate in the future, and it is therefore very necessary for us to continue to rebuild our strong reserves against the possibility of these unpredictable catastrophes. As you will see from a study of the Accounts, we have taken steps to do this again in 1960.

With the continuing rise in insured values, we experience a growing demand for facultative reinsurance and we continue to do our utmost to help our friends in this way with their particular cover problems. The tendency towards concentration of the insurance industry into larger units, already referred to, is one which has not been confined to the home market. As reinsurers we are fully alive to the problem of mounting expenses that confronts many of our ceding offices, and we are always ready to consider with them simplified reinsurance methods and plans aimed at reducing their costs in this sector.

ACCIDENT DEPARTMENT

The Accident Department this year only shows a moderate increase of premium income, owing to the pruning effect of measures taken in Canada in regard to the underwriting of Excess of Loss Covers for Motor and Public Liability business. Generally, however, the business continues to advance strongly.

With restoration of the Canadian experience to a profitable basis, the adverse results of the Accident Account as a whole during the recent years have given place to a small surplus, after making due provision for outstanding and unknown claims. The heaviest burden now lies in the Employers' Liability class, more especially in Australia, where the results have been adversely affected by the many increases in benefits payable under the Workers' Compensation Acts of the various State Governments. This situation continues to receive our energetic attention and it is hoped to introduce into the Australian market a new form of treaty which will secure a more equitable distribution of the rising cost of these claims as between ceding company and reinsurer.

Turning to the other various classes of business transacted in the Accident Department, our important Personal Accident Account continues to run profitably. Our Burglary business has again been adversely affected by the scale and frequency of armed robberies that have become almost a current news item in our daily press. Motor business has also brought a loss commensurate with the heavy experience in most of the territories where we operate. This class and Public Liability are mainly reinsured by us on the Excess of Loss basis and the unfavourable results they produce are largely a reflection of the ever higher damages being awarded to the victims of road accidents. It is a pleasure to conclude with Fidelity and Contract Guarantee, both of them profitable, and with the various Miscellaneous classes that have combined to give a surplus overall.

This year the underwriting picture reflected in the Marine, Aviation and Transit Account is adversely affected by certain accounting adjustments of a long-term nature. In spite of the apparent hardening of the claims ratio in our Account, there is not, I am glad to say, any deterioration in the experience and the business continues to expand very satisfactorily. The need for rigorous selection in our Marine writings is not lessened by the guarded optimism voiced in certain sections of the direct market, and as regards Aviation business, which has contributed its full share to our expansion, there are, as is well known, still a variety of problems to be overcome. Much publicity has been given to the high values of new passenger liners and jet aircraft now in service and expected in the near future and we must be fully equipped to meet increasing demands for reinsurance cover.

For this reason the surplus on the closed years is retained in our Fund, no transfer being made to Profit and Loss this time.

LIFE DEPARTMENT

The Life Department new business figures again reached a record level; our target for the year was £50,000,000, but in the event the net new sums assured amounted to £58,832,908. This was a great achievement and compares with £45,031,682 in 1959. In addition, our Subsidiary Life Company in Australia transacted £3,610,355 compared with £2,328,809 in 1959.

The net Life premium income was £4,074,668, as compared with £3,502,519 in 1959. The Life Assurance and Annuity Fund now totals £17,426,996.

The year marked some important extensions of our organisation overseas for Life reinsurance. Our organisation in Cape Town has been extended and we are now able to give licensed cover in Rhodesia. In Australia we now provide facilities in Melbourne as well as in Sydney, and we have made arrangements to provide a more complete underwriting service in New Zealand.

The excellent progress made in our Canadian and Australian Life operations from the commencement continued unabated during 1960, and equally encouraging is the growth of our business elsewhere in the Commonwealth. We received business from no less than 28 countries outside the Commonwealth, and in this sphere also we record an increase in our business. At home, too, we had a successful year: in fact during 1960 we received Life reassurances from over 80 Life offices established in the United Kingdom, and this business accounted for 45 per cent of our new business.

You will see from the Balance Sheet that the Investments and Loans of the Company (General and Life) show, at £28,832,263, an increase of £3,842,810 during the year. The past year began with equity markets reaching a peak early in January, but signs of overstrain in the United Kingdom economy and a deteriorating overseas trading position resulted in the imposition of credit restrictions and an increase in the Bank rate in two stages to 6 per cent by the middle of the year. Although the Bank rate was reduced also in two stages to 5 per cent in the last quarter of the year, the long-term rates of interest showed an upward trend throughout the year due to the continued strong demand for loan capital. In common with many other countries, equity yields in the United Kingdom remained appreciably below the return offered by long-term fixed interest stocks and appeared to discount future growth in dividends for some time ahead. Advantage was taken of high interest rates obtained from fixed interest securities to add to our holdings of British Government bonds and Debenture Stocks and additions were made to equity holdings. Taking our investments as a whole, the amount by which the market value exceeded the book value, although not so large as at the close of the previous year, was still substantial at December 31, 1960.

Finally I want to say thank you to those who have contributed so much to these results: to the local Directors for their help and advice in guiding our Companies and Branches overseas, to the Managements and Staffs of those organisations for their hard work; to our General Manager and his team of Management and his Staff at home for their wholehearted efforts to build up and strengthen the "M. & G." I know that you would like me to express our gratitude to all of them.

INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED

Set up by the English and Scottish Banks in 1945 to provide long-period loans and share capital to businesses with no ready access to the capital market.



Lord Piercy

The Corporation's progress during the year ended March 31, 1961, in relation to recent years may be presented compendiously as follows:—

	1956/7	1957/8	1958/9	1959/60	1960/1
New business transacted ...	2,496	3,834	5,017	6,374	9,503
Gross investment ... (cash outgo) ...	2,913	3,361	4,100	6,556	7,451
Repayments and realisations ...	1,997	2,182	2,690	3,889	3,725
Net new investment ... (addition to portfolio) ...	916	1,179	1,410	2,667	3,726
Forward commitments ...	1,105	1,578	2,495	2,313	4,365

At the end of the period the total of Advances and Investments (less provisions for bad and doubtful items) stood at £42.1 million (£38.37 million at March 31, 1960).

The profit for the year, before interest and tax was £3,410,974, compared with £2,825,922 for the previous year, an increase of £585,052. Interest paid out amounted to £1,410,360 (£982,767). The figure was high, partly because a full year's interest on the Debentures was paid for the first time, partly because Bank Rate, on which interest payable on the Loan from the Shareholding Banks is based, was high for most of the period. After deducting interest and tax, the balance available is £1,140,614 (£1,065,155). Adding the surplus brought forward, the amount for disposal is £1,295,270 (£1,215,450). A dividend of 6 per cent is recommended.

During the twelve months under review approaches were received from 599 new customers of which 308 were eligible for detailed consideration. These numbers compare respectively with 392 and 155 in 1959-60. Offers were made to new customers in 131 (71) cases; and to existing customers, on second or subsequent applications, in 112 (73) cases. During the year 77 new accounts were opened, and 43 accounts repaid. At March 31, 1961, the number of open accounts on the books was 694 (660).

Some interest has been manifested in the proportion of small transactions. This year, of the offers made to new customers, 43 (or 33 per cent) were for amounts ranging from £5,000 to £20,000, 79 (or 60 per cent) for amounts from £5,000 to £50,000. These figures are close to our total experience. Out of 994 applications from new customers approved, and completed, up to March 31, 1961, 330 (33 per cent) were in respect of applications up to £20,000.

There was active demand for the Corporation's facilities. Along with a full measure of the ordinary and unexciting business which is our main concern and contribution to industry, we dealt with a number of lively propositions which should have a bright future.

The ability of the UK to benefit from the higher investment in industry of 1960 and 1961 is conditioned by the healthiness of our Balance of Payments, and hence of our Reserves. The obvious solution of this problem is increased exports. The supplement to this Report shows some of the cases where we have been able to assist firms to achieve the type of success in export markets which is needed.

An issue was made in April, 1961, of £6 million 6½ per cent Debenture Stock 1981-4 at £97 per cent., which was well received by the market. Out of this we repaid £1½ million of the Loan from the Shareholding Banks in accordance with our arrangements with them.



Copies of the Annual Report are available from the Secretary:
7 Drapers' Gardens, London, E.C.2.

BRAZILIAN TRACTION, LIGHT AND POWER COMPANY LIMITED

(Incorporated under the Laws of Canada)

At the Annual Meeting of Brazilian Traction, Light and Power Company, Limited, held in Toronto on June 27th, the President, Henry Borden, CMC, QC, presided. All directors were re-elected.

The shareholders confirmed By-law No. 23 renewing the authority for the payment of dividends in shares.

In addressing the shareholders the President stated that the Company's problem has never been the lack of customers for its services but, on the contrary, the main problems have been to keep pace with an extremely rapid growth of demand and to obtain tariff adjustments so as to maintain the Company's real earning power under conditions of inflation. He pointed out, however, that the more customers the Company has served, the greater the investment in plant and equipment and the larger the scope of the Company's operations, the lower have been the net earnings expressed in dollars. For these unsatisfactory and disappointing results, he continued, there is one overriding reason, "serious and prolonged inflation without adequately compensating tariff adjustments." While the operating companies have been permitted to increase their tariffs in order to recover a high proportion of the increased expenses resulting from inflation, nothing of any significance has been done by the regulatory authorities to permit cruzeiro profits to rise to offset the depreciation in the value of that currency. The result has been that the Company's net earnings, measured on a uniform accounting basis, have been falling steadily for four years and are lower now than in the immediate postwar years.

The President then referred to the measures being taken by the new administration in Brazil of President Janio Quadros in its endeavour to bring a greater measure of stability to the Brazilian economy. He referred to two major steps already taken to restore financial order, namely the simplification of the complicated foreign

exchange system and the highly successful negotiations for financial assistance with the International Monetary Fund and with government and financial circles in the USA and Europe. He stressed that it will take time for the new administration in Brazil to deal with the root causes of inflation and to prevent the recurrence of foreign exchange crises.

Mr Borden noted that there seems to be greater confidence in Brazil that measures can and will be taken by the President of Brazil and Congress to give that country the kind of stability so essential to steady and rapid economic growth. "Restoration of economic stability in Brazil," he said, "would not of itself solve the problem of the Company but it would provide the kind of environment in which progress towards a solution of these problems could be expected" but, he continued, "at the root of all our problems in Brazil are inadequate earnings which prevent us from either generating or raising, by borrowings or sale of securities, the cruzeiros and the dollars urgently needed to finance improvements and expansion. The result is that not only have dollar profits been declining but the standards of our service and our ability to meet public demands have been deteriorating." This, he said, is regrettable, but in the circumstances unavoidable.

Referring particularly to electric tariffs in Brazil, the President pointed out that a thousand kilowatt hours of electricity in Rio de Janeiro costs approximately \$11.00 for domestic use, at prevailing rates of exchange, as compared with \$13.50 in Toronto and \$41.00 in New York. He stated that the immediate objective is to get the operating companies into a position where they will be permitted to earn a fair and reasonable return on plant in service, adjusted every two years in accordance with the coefficients of monetary correction and, if this was possible, there would be a considerable improve-

ment in earnings over their present unsatisfactory levels.

Mr Borden then referred to the statement of the President of Brazil on electric energy in his state of the union message in March, 1961, and said that from this there is reason to assume that there is an appreciation of the basic problems facing the Company and other electrical utilities in Brazil and that the authorities intend to work toward their solution. However, he added, progress towards our objectives and the stated objectives of the Government itself in the field of electrical energy will at best be gradual although we have reason to hope that progress will be steady.

Mr Borden then went on to make some observations on telephones, the Company's second largest investment in Brazil, and the variety of arrangements and jurisdictions under which the service is provided, with the State and Municipal Authorities exercising authority. This, he said, has resulted in great differences in the basic charge for telephones, for example, the charge for an individual residential automatic telephone in the State of Guanabara is about the equivalent of \$1.50 per month, in the city of São Paulo about 75 cents, in the city of Santos less than 50 cents. These varying rates, he said, compare with about \$6.00 a month in Toronto.

President Quadros, he noted, has appointed a work group to formulate principles for a federal telephone policy and it is expected that its report will be made public in the near future. In the meantime the Company's three main telephone concession contracts are in the course of re-negotiation, and in Guanabara an Intervention Commission is endeavouring to formulate proposals designed to solve the shortage of telephones in that State. The outcome, he said, is uncertain but some fairly radical changes are likely to be proposed.

The coming weeks and months, he said, are therefore a period of major significance for our telephone operations in Brazil and he concluded by saying that it is our belief that the existing difficulties can best be overcome "by broad, national action, but whatever the decision in that respect, you can be assured that the operating companies, as always in the past, will sincerely co-operate with responsible authorities. You can also be assured that everything possible will be done to protect the legitimate interests of the shareholders."

AMALGAMATED DENTAL COMPANY

ANOTHER YEAR OF SUCCESSFUL TRADING

The fifty-sixth annual general meeting of The Amalgamated Dental Company, Limited was held on June 23rd in London, Mr Aiken Watson, QC (Chairman), presiding.

The following is an extract from his circulated statement for the year ended December 31, 1960:

I am pleased to report another year of successful trading.

In my Statement last year I spoke of the problems of fatigue in operative dentistry and the need for equipment expressly designed to avoid its incidence. I am happy to report that, after lengthy clinical tests and the imprint of professional approval, such equipment is within

sight of production at our Walton factory and it is expected to be marketed in 1962. We are confident that this, together with a new type of dental chair, soon to undergo test, will become two of the finest weapons in the armoury of the profession.

These new lines with others in prospect have stretched our production capacity at Walton to its limits. A major extension to meet this and effect greater efficiency and economy in production is now under urgent consideration.

RESEARCH FOR NEW AND IMPROVED PRODUCTS

On the consumable products side of your business, our research for new and improved products goes on relentlessly. It is safe to say that, during the past fifty years, our standard products have kept pace with every known improvement, and no significantly successful new product has appeared which qualitatively replaces them.

Our instruments continue to enjoy professional acceptance in their conventional and new forms. The "Ash" forceps in particular is a hallmark of quality the world over.

Our medical subsidiary continues to expand both at home and abroad as the quality and ingenuity of its products become better known.

While we, as a Group, have certain advantageous dispositions in Europe we feel impelled to move cautiously pending the outcome of the present division between the Common Market and the European Free Trade Association.

Current trading is satisfactory.

In pursuance of its policy of promoting younger Executives the Board has appointed Mr Peter de Trey and Mr Walter Edser to be Directors. Both have had many years of service with the Group.

The report and accounts were unanimously adopted and a final dividend of 10 per cent on the Ordinary Stock, making a total dividend of 17½ per cent, less income tax for the year was approved.

THE INDUSTRIAL AND GENERAL TRUST

A NOTABLY SUCCESSFUL YEAR

The seventy-third annual general meeting of The Industrial and General Trust Limited was held on June 22 in London.

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

The results this year are, I think, exceptionally good but it must be remembered that we have received some benefit from the investment of the proceeds of the £2,000,000 Debenture Stock issued in January, 1960. We have certainly not had the full advantage as yet since half the money raised was not payable until June 1, 1960. On the other hand we have had to meet, this year, nearly a full year's interest on the Stock. It will be clear, therefore, that the greater part of the increase of some £357,000 in our gross income was due to increased revenue from our existing portfolio.

Our tax liability at £810,000 was £68,000 greater and after deducting this sum and management expenses, net Revenue amounted to £1,178,435, an increase of approximately £160,000. We recommend a final dividend of 14 per cent making 26 per cent for the year against 22½ per cent last year.

The valuation of our Investments is, this year, approximately £50½ million which represents an appreciation of more than 263 points over the net cost.

Commenting on a 10-year record of the Trust's progress included with the Report, the chairman said: From that record it can be seen, if the necessary adjustments are made for capitalisation issues and rights issues, during the period, that the Ordinary dividend has in 10 years risen from the equivalent of 7½ per cent approximately to 26 per cent while the net asset value of the 5s. Ordinary Shares has gone up from approximately 9s. 2d. per Share in 1952 to 38s. 9d. at March 31st last. I am sure you will agree that this is a record of which we may, very properly be proud.

To sum up, the year under review has been a notably successful one characterised by the exceptional buoyancy of the Revenue and marked by a substantial increase in the Ordinary dividend. In addition we have been able to invest our new money more quickly and more profitably than we had expected to be able to do when it was decided to make the Debenture issue.

So much for the past: but what of the future? No man can foretell that but some of the problems which we shall have to face are clear enough. The Chairman then referred to the European Common Market, the current balance of payments position, the state of the internal economy and continued: These matters are constantly in our minds and our investments are frequently reviewed in the light of them. We do not wait upon events but endeavour as far as we can to anticipate them and thus offset in some measure their effects. The great strength of the Trust is, of course, that we have, and try to maintain a well-balanced portfolio which will see us through difficult times and respond quickly to an improvement in economic conditions. But I do not think we can expect in the immediate future to see our growth continuing at the pace of the last two years.

The report was adopted.

COMPANY MEETING REPORTS

ASSOCIATED NEWSPAPERS LIMITED

LORD ROTHERMERE'S STATEMENT

The fifty-sixth Annual General Meeting of Associated Newspapers Limited will be held on Tuesday, July 18, 1961, in the Memorial Hall, Farringdon Street, London, E.C.4. The following is from the statement by the Chairman:

In my address to you last year I said that I expected profits from our National newspapers to fall in the year under review, but to some extent this was likely to be offset by increased revenue from our other interests. This forecast has proved correct and, in addition, there have been a number of events which have had an influence on the trading of National newspapers.

It has been an eventful and in some ways a tragic year for the Press. Four National newspapers have ceased to exist as separate entities, and some others have been able to carry on only by drawing heavily on their reserves, and, as you know, there is sitting at this moment a Royal Commission to investigate the causes of the difficulties. Early last year, the directors of the Daily News Limited approached us to ask if we could help in any way should they be compelled to close down the *News Chronicle* and *The Star*. Discussions took place which ended in our making an offer for the whole of the assets and the goodwill of the two papers, but on the clear understanding that this arrangement should only be implemented if and when the Daily News Board came to a final and irrevocable decision that in no circumstances could these newspapers be carried on as separate entities and that it would be impossible to sell them as going concerns to any other buyer.

On October 18th last year, the *News Chronicle* and *The Star* were amalgamated with the *Daily Mail* and the *London Evening News* respectively. This operation was carried through with great smoothness and without disruption, and was a great credit to all those members of the staff who were involved, night and day, in the complicated details of this changeover.

"DAILY MAIL" AND THE "EVENING NEWS"

The results of the merger have been even more satisfactory for the *Daily Mail* and the *Evening News* than we had hoped. Nine months after the merger, the sale of the *Daily Mail* is now in excess of 2,660,000, an increase of 575,000 copies per day; that of the *Evening News* is in excess of 1,465,000, an increase of well over 300,000 copies per day.

With such circulation increases, adjustments in advertisement rates were clearly necessary, and revenue in both papers has surpassed all previous figures and remains buoyant in the new financial year.

"SUNDAY DISPATCH"

Two of our National newspapers have been in considerable difficulty during the past year, namely the *Sunday Dispatch* and the *Daily Sketch*. Of these two newspapers the losses on the *Sunday Dispatch* have been the greater, and amounted in the past year to nearly £600,000. This loss was incurred without any of the pro-

motion expenses which would be necessary were we to endeavour to save this newspaper. Such promotion expenses could involve doubling the loss for several years. Your Directors decided that such an expenditure was not warranted since it would be by no means certain that such a course would restore the *Sunday Dispatch* to prosperity.

Accordingly, we have entered into an arrangement with Beaverbrook Newspapers to merge the *Sunday Dispatch* with the *Sunday Express* and at the same time, Beaverbrook Newspapers have contracted with us for the printing of a considerable proportion of the combined paper.

"DAILY SKETCH"

The losses of the *Daily Sketch*, though considerably less in the year than those of the *Sunday Dispatch*, are causing your Directors concern. We bought this newspaper with the object of trying to save it from extinction and we are still hopeful of success. With the support of the Unions considerable economies have recently been achieved and we shall do everything possible to avoid the closure of the *Daily Sketch*.

CANADIAN NEWSPRINT INTERESTS

The trend of the newsprint industry both in Canada and this country has been towards larger groups of Companies. Anglo-Newfoundland Development Company Limited has a relatively small production capacity compared with those of other groups in Canada. With this in mind and following several months of consideration and negotiation, a satisfactory agreement was entered into during April this year between your Company and Price Brothers & Company, Limited, of Quebec, whereby your Company's shares of Anglo-Newfoundland Development Company Limited were exchanged for shares of Price Brothers, resulting in your Company becoming the largest shareholder of Price Brothers. This very considerable interest is supported by our nomination of six Directors to the Board of Price Brothers by this Company.

At current levels of dividends paid on shares of Price Brothers, income to this Company as a result of the exchange of shares will be increased in the coming year.

ACCOUNTS

The profit on trading, owing to the various factors I have mentioned, is reduced to £2,140,266. Our Provincial subsidiaries have again contributed very considerably to this figure. Income from Anglo-Newfoundland Development Company Limited has been at the same rate as last year, and the increase in Trade Investment income to £366,596 is the result of a larger distribution from Southern Television Ltd. and from our Television interests in Australia.

The total profit before Taxation at £3,061,639 is, in fact, only £22,741 less than last year, disregarding the Special Newsprint Supply credit received in that year.

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PROVINCIAL NEWSPAPERS

Our newspapers in the provinces have continued to make steady progress. This is the more satisfying quite apart from the purely financial point of view, for, as you are well aware, it is our policy that each paper shall provide a complete service as a local newspaper to the community it serves. The success of this policy can, I feel, be measured by the results and only strengthens our conviction that each paper must be run locally and remain quite independent of any external editorial control.

OTHER INTERESTS

Television

Southern Television is operating very successfully and the Dover satellite is proving its worth in terms of revenue. Income from Australia has

COMPANY MEETING REPORTS

increased over last year and is now becoming an appreciable part of our Trade Investment income. Our interests in Brisbane and Adelaide have not yet made any contribution, but their initial results have been satisfactory.

Ideal Home Exhibition

The fine weather in March reduced attendances at the *Daily Mail* Ideal Home Exhibition this year, but over 1,100,000 visited Olympia. Fifteen Commonwealth and foreign countries were represented and all indications are that trade was most satisfactory.

"Weekend"

The last twelve months have been difficult for magazines. *Weekend*, our only magazine, has been profitable, with advertising revenue up over the previous year. A price increase in the

magazine itself in 1960 and in national newspapers in 1961 has affected the circulation less than anticipated and less than others in the same field.

Weekend is the largest selling general colour-gravure magazine in the country and we look forward to its steady development.

THE FUTURE

The steps that the Company has taken in the last year in relation to its national newspapers, and in the consolidation of investment in newsprint in Canada, will strengthen the Company and enable our resources to be developed to the full. As an immediate result, coupled with the long overdue increase in the price of national newspapers, the current year's trading is likely to show a considerably increased profit.

SAUNDERS VALVE COMPANY, LTD.

RECORD TURNOVER

BIG INCREASE IN EXPORTS

MR P. T. STEPHENS ON THE OUTLOOK

The Annual General Meeting of Saunders Valve Company, Ltd., will be held on July 20th at 23, Blomfield Street, London, E.C.

The following is an extract from the circulated statement of the Chairman, Mr P. T. Stephens:

Once again the activities of the Company have been on a substantially higher scale and the profit for the year ended March 31st, 1961, amounted to £497,565, subject to taxation of £261,500, representing an advance of 42 per cent as compared with the previous year. An interim dividend of 7½ per cent less Income Tax was paid during the year and we now recommend a maintained final dividend of 12½ per cent less Income Tax on the capital as since increased through the capitalisation of reserves by the issue of one new share for every two shares previously held.

The turnover achieved, a record, was 26 per cent higher than that of the previous year. As usual the major part of the increase is attributable to sales of Saunders diaphragm valves. In these days when this country's export performance is much in the public eye, it is satisfactory to be able to record that whereas home sales of diaphragm valves were 31 per cent higher, the corresponding increase in those directly exported was some 32 per cent higher, representing 57 per cent of total diaphragm valve sales.

EXPORT EXPERIENCE

The experience of this Company which has for years consistently exported over half its output is that there is no magic elixir which ensures success in this field. Export sales are often if not usually obtained through channels different from those at home. Different techniques are necessary but as in all sales promotion, a willingness must always be present to understand the particular problems of the market, to educate those actually responsible for obtaining orders, and lastly to keep the customer fully informed on the range of products available to him. Our experience has been that although overseas business usually takes longer to mature than home business, it is equally rewarding in the long run.

Profit margins have been maintained during the year as a result of higher activity and increased productivity, despite the necessity for absorbing a sizeable part of the increased manufacturing costs—particularly labour costs—which inevitably recur in the inflationary economic conditions in which we live.

PRODUCTION AND SALES

Production must match sales if customers are to be satisfied. A close correlation between these functions is particularly necessary for a product, such as Saunders Valve, where the production cycle is relatively short and where the customer expects a relatively short delivery period. Some assistance can be given to smooth out the effect of a sudden acceleration in the rate of ordering by stocks held in the semi-manufactured state and in the warehouses of distributors.

We plan continuously to improve the flexibility of both our production and distribution organisations and thus to diminish the difficulties which flow from sudden alterations in demand which are seldom spread evenly throughout the range of productions we manufacture. We are also giving immediate attention to increasing certain elements of our productive capacity.

During the year the Company decided to establish a branch in the Netherlands at Leeuwarden. Since then a wholly owned subsidiary company, Saunders Valve (Nederland) N.V., is in course of formation to carry out this activity. Factory premises are being built by the Leeuwarden authorities and rented to the subsidiary with an option to eventual purchase. The Company's investment in the new subsidiary will be a progressive one and the amount required will depend on the volume of production established at this centre.

COMMON MARKET ADVANTAGES

I have already commented on the increase of 32 per cent in sales of Saunders Valves for export. Orders received increased at an even higher rate—46 per cent on the previous year and of these Europe, for which the increase was

72 per cent, clearly accounted for the major part. We have been increasingly aware during the last year of rising industrial tempo in Europe in anticipation of the full economic advantages of a Common Market and that is the major reason for the increased business we have done. At Leeuwarden we shall be able to bring certain supplies nearer to European markets, though it is certainly no part of our plan to relieve our distributors from their responsibility to maintain adequate stocks for their own customers. We shall, at Leeuwarden, manufacture certain ranges of valves to standards which are particularly needed in Europe and, most important, we shall have established a base for the rapid expansion of production within the European Common Market if and when such a course becomes desirable. As to, that our decision will naturally be influenced by the eventual decision—and the date when it is taken—whether or not Great Britain on its own or with some or all of the E.F.T.A. countries join with the six in the Common Market.

VALVES FOR AIRCRAFT

Sales of valves for aircraft from our Hereford factory were well maintained but due to the ever increasing technical diversification of this industry the results are not so profitable as in earlier years when long run business could be relied on to carry the bulk of the heavy overheads this industry demands.

Sales of Safran Pumps at Wolverhampton, particularly for overseas, advanced during the year and improved results were obtained. Equally sales of iron castings outside the group were satisfactorily maintained by our subsidiary, Goulds Foundries Limited of Newport.

CAPITAL NEEDS

During the current year various additions to the Cwmbran factory premises will be put in hand. Capital needs for all these expansions will be higher in the current year than last, but our available resources are adequate to provide for them.

Any forecast on profitability over the current year of an industry such as ours with world-wide ramifications must be coloured to some extent by fears of political and economic repercussions in various parts of the world—to say nothing of possible economic difficulties at home on account of the United Kingdom's recurring Balance of Payments problems. However, our order rate in every department is well maintained and I expect to be able to present comparable results in twelve months' time.

GEO. W. KING LTD.

The twenty-fourth annual general meeting of Geo. W. King Ltd. was held on June 27th in London, Mr Donald M. King, MIProdE (the chairman) presiding.

The following is an extract from his circulated statement:

The results for the year 1960 show steady progress and an advance on those for the preceding year and, in fact, the net profit, after taxation, is the largest the Company has achieved, as also is the turnover. Your Board are again recommending a dividend on the Ordinary Share Capital of 12½ per cent less tax, this being the same as has now been paid for a number of years.

Shareholders will notice that the net dividend on the Ordinary Shares costs £46,856, which is nearly three times covered by the available profits. The Directors are proposing to make an issue of Ordinary Capital by way of rights to existing Ordinary shareholders of 816,000 Ordinary Shares of 5s. each. It is proposed to issue the 816,000 new Ordinary Shares at a price of 12s. 6d. per share in the proportion of one share for every three Ordinary shares held. Unless unforeseen circumstances arise, your Board anticipates being able to recommend the same dividend for 1961 on the increased capital.

In view of the present drive for exports and their vital importance to the economy of this country, I feel sure you will be gratified to know that the percentage of direct export work of our very satisfactory order book, including letters of intent from clients, is approximately 50 per cent, which I think it will be agreed, is a high proportion of our total output.

The report was adopted.

FORSTER'S GLASS COMPANY LARGER SALES

The forty-second Annual General Meeting of Forster's Glass Company Limited will be held on July 19th in London.

The following is an extract from the circulated review by the chairman, Col. Sir Charles Ponsonby, Bt, TD, DL, for the year ended March 31, 1961:

The results are not unsatisfactory. The net profit is £168,964 against £134,676. The improvement is due partly to increased sales, but mainly to the more efficient operation of the plant. The policy of modernising the works is yielding a reasonable return on the heavy investment we have made. This is best illustrated by the fact that the year's record result was obtained on selling prices which have remained unchanged since June, 1957, whereas costs are now £150,000 a year higher than in 1957/58.

What of the future? Although demand for your products is at present good, there are factors which will increase costs and thus make further inroads into our already narrow profit margins. One of these is the fuel oil tax which represents a direct increase of £50,000 a year in our melting costs.

Secondly, wage increases for all our process workers were negotiated in July. In addition, shift differentials affecting 64 per cent of our workers were uplifted in March, 1961. Other grades have also received increases. Considerable justification therefore exists for an increase in our selling prices.

COMPANY MEETING REPORTS

THE FORESTAL LAND, TIMBER & RAILWAYS COMPANY LTD.

The Fifty-fifth Annual General Meeting was held on June 28th in London, Mr G. F. Taylor, CBE, the Vice-Chairman and Managing Director of the Company presided in the absence through illness of the Chairman, Sir Gerard d'Erlanger, CBE, FCA.

In the course of his circulated statement, the Chairman referred to the sharp fall in both Sterling and Pesos trading Profits which represented almost entirely the results of the Group's operations as growers of Wattle and as manufacturers and distributors of Wattle and Quebracho extract. The fundamental factor determining the profitability of those operations in

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1960 was the price war which increased in intensity throughout that period.

Sir Gerard continued: The misfortune which has befallen the vegetable tanning extract industry in the shape of a collapse of the price structure obviously renders the execution of Forestal's policy of diversification more important than ever. I am glad, therefore, to be able to report substantial progress along this road and to express a reasoned hope that we are now entering upon a new phase of fairly rapid development.

Commenting on the outlook, the Chairman said that profits for 1961 would not show much, if any improvement on those for the year under review. Taking the longer view, he felt that satisfactory profits should ultimately be earned in the tanning extract industry and in any event their policy was directed at a steadily increasing contribution from the non-tanning extract side of the business.

EMPIRE STORES (BRADFORD) LIMITED

YEAR ENDED 31st JANUARY, 1961

RECORD INCREASE IN TURNOVER AND PROFIT

The Fifty-second Annual General Meeting of Empire Stores (Bradford) Ltd., formerly Fattorini & Sons (Holdings) Ltd., was held at the Midland Hotel, Bradford, on June 29th, presided over by the Chairman, Mr Leo Fattorini. The following is an extract from his statement:

I am happy to tell you that once again the Company has had a record year, not only in turnover but in profits.

In the Prospectus issued last December, the Directors gave a forecast of profit of not less than £370,000 subject only to taxation and loan interest. In fact, this forecast has turned out to be conservative and, based on an equivalent calculation, I am delighted to tell you that the profit for the year recently completed amounts to £387,500.

THE COMPANY AND ITS OPERATIONS

The business of the Group is carried on in the names, or through the agency, of subsidiary companies.

By far the largest operating company is Empire Stores Ltd., a mail order departmental store whose activities account for over 90 per cent of the current sales and profits of the Group.

The management of the Company is young and enthusiastic and every opportunity is taken to continue the training of all executives, not only within the organisation, but by the use of outside courses, training schools and colleges. Each year a number of young management trainees enter the Company to ensure that trained executives will be available as the Company's growth demands, and we are always on the look out for young men of the right calibre.

Allied to Empire Stores Ltd., E. Robertshaw & Co. Ltd. is the Buying House for the retail Company, its Directors and executives making constant visits throughout the British Isles and the Continent to ensure that the flow of up-to-the-minute merchandise is continued.

Fattorini & Sons Ltd. has for over 100 years held an enviable reputation as manufac-

turers of sporting trophies, enamel badges, medals and regalia of all types.

Sports & Pastimes Ltd. allied with its subsidiaries The Bradford Textile Co. Ltd. and Bradford Textile (Sales) Ltd. manufactures sports and school clothing, and distributes them to schools and colleges throughout the country.

ACCOUNTS

The Consolidated Group Trading Profit before deducting directors' emoluments, audit fees, depreciation, loan interest and taxation, amounts to £437,872 compared with £319,340, an increase of more than £118,000. This represents the greatest increase in profit in the history of the Company, and reflects the success of our trading policy during the last year.

DIVIDENDS

The Interim Dividends totalling 5 per cent were paid on the Issued Ordinary Capital of £400,000 prior to the new capital structure in December, and the Directors recommend a final dividend of 15 per cent payable on the Issued Ordinary Share Capital of £750,000 as forecast in the Prospectus.

CURRENT PROSPECTS

I have before me the trading results of the operating Companies for three months of the current year. Expenditure is not increasing relative to turnover and sales to date are considerably in excess of the corresponding period, and at this stage your Directors are cautiously optimistic of another satisfactory year.

CONCLUSION

None of the results that I have been happy to put before you today would have been possible without the continued support of a very hard-working and loyal team of employees at all levels, together with the continued support of many thousands of manufacturers who continued to give us service and support. To all these may I pay my grateful thanks.

HEAD WRIGHTSON & COMPANY LIMITED

SIR JOHN WRIGHTSON'S CONFIDENCE IN THE FUTURE

The seventy-first annual general meeting of Head Wrightson & Company Limited will be held on July 20th at Teesdale Iron Works, Thornaby-on-Tees. The following is an extract from the circulated statement by the chairman, Sir John Wrightson, Bt, TD, DL:

STAFF

I feel it would be appropriate to start my review of the year's work with a well deserved tribute to our staff and workpeople. As I think you will appreciate, under the conditions prevailing during 1960, the results that we have been able to show reflect great credit on the zeal and enthusiasm of all concerned: managers, technical and commercial staff and workpeople. Each has contributed his or her part to the success of the company as a whole. It is also fitting to remember those who have diligently served the subsidiary companies in Australia, India, South Africa and on individual contracts ranging from Fiji to Poland.

We are fortunate in possessing a long-standing tradition of service to the company so that we particularly welcome those young people who have joined us during the past year: may they acquire those attributes of enterprise and enthusiasm to which we are accustomed and of which we are so justly proud.

RESULTS AND ACCOUNTS

Whilst the demand for most of our products has been buoyant, some sections of our business have had a disappointing year and it is, therefore, gratifying that we have been able to show a small increase in the total surplus on trading.

As I mentioned last year, profit margins, both at home and overseas, are lower than we have been accustomed to receive. This tendency persists. We are, however, constantly examining our cost of manufacture and improving our techniques. Furthermore, the effect of capital expenditure undertaken at our various works over the past few years is now beginning to show results. Our surplus on trading for the year was £1,714,412 which compared with a figure of £1,686,250 in the preceding year, is satisfactory considering the conditions under which it was earned. Depreciation of our buildings, fixed and loose plant, is only slightly greater than last year owing to the sale of certain assets to which I refer later.

In view of the satisfactory condition of our works and the present indications of our prospects in the markets in which we have established ourselves, your directors consider that they are justified in recommending, this year, the distribution of a higher proportion of the earnings. We therefore invite you to sanction the payment of a final dividend of 12 per cent which, with the interim of 4 per cent already paid, will total 16 per cent against last year's distribution of 14 per cent on the same capital. We also propose to add a sum of £382,401 to the General Reserve bringing this to a total of £1,000,000. In addition, we have put to Capital Reserve a sum of £108,378 being the profit shown in our books on the sale of one of our subsidiary companies.

In 1955 we acquired Colliery Engineering Limited (now renamed Head Wrightson Minerals Engineering Limited). Included in the purchase was The Cupola Mining and Milling Company, of Stoney Middleton, in Derbyshire. We have been engaged in developing the busi-

ness by the installation of a modern flotation plant to produce galena, barytes and high purity fluorspar. The production and sale of these chemicals was, however, outside the scope of our engineering interests so that when our neighbours, Glebe Mines, a subsidiary of the Laporte Industries Group, approached us we agreed to the sale to them of our complete shareholding at a satisfactory figure.

EXPORT

Throughout the year under review the deliveries of plant and machinery for abroad continued in a substantial way. We could not hope to repeat every year our intake of export orders at the previous rate. We have, in fact, this year shared the experience of Great Britain in general where we would normally wish to rise above the average. Competition remains fierce and the Government's recent extension to the facilities offered by the Export Credits Guarantee Department is bound to be of great value to the makers of capital equipment like ourselves. The division of the European market into separate camps is becoming more and more evident as the pattern of the two rival trading groups becomes more set. As British makers of specialised heavy plant we are finding ourselves at a disadvantage in the European Common Market with its dynamic record of growth and, although we are pursuing our drive for exports within the European Free Trade Area, we would welcome a unification of these two trading areas within Europe.

Our wholly-owned subsidiary company in Johannesburg continues to design and contract for the full range of our home specialities, by now the majority of the equipment being made in the works of our associated company, Wright Boag and Head Wrightson (Pty). Both companies had a good year in unsettled conditions.

Head Wrightson (Australia) Pty. in Sydney has been most successful in enlarging its business and has been awarded a large contract for oxygen steelmaking equipment by the Broken Hill Proprietary Company in collaboration with Head Wrightson Iron and Steel Works Engineering.

Of our design and contracting companies, Head Wrightson Iron and Steel Works Engineering have been conspicuously successful in securing contracts during the present phase of re-equipment of the iron and steel industry, not only in Great Britain, but in Australia, Rhodesia and South Africa, in collaboration with our overseas companies.

The third of the blast furnaces at Durgapur was completed, ten weeks ahead of the stipulated programme accepted on the signing of the contract. This reflects great credit on the organisation in India and its support from this country. During the same month a further blast furnace was successfully "blown in" in Rhodesia.

At the end of the year under review we formed Head Wrightson India based on Calcutta, with a view to designing and contracting in this expanding market.

HOME

At home the year has been one of intense activity in our foundries and drop forges. In spite of the recession in the motor car industry, we actually increased the tonnage of drop forg-

ings delivered and are now engaged in building up a healthy order book of direct export work in Europe. The capital expenditure schemes at our Steel and Iron Foundries proceeded throughout the year without affecting the tonnages produced at either foundry. The new electric steel melting plant at Stockton Steel Foundry and the new sand handling plant at our Iron Foundries both come into full production in the next few weeks.

Head Wrightson Teesdale and Head Wrightson Stockton were both affected by the difficulty of obtaining their requirements of steel to match their growing order books. This situation is not yet corrected and we are finding that in the case of both these companies, the works are not able to effect delivery of considerable tonnages of plant and equipment due to shortage of critical material.

The Head Wrightson Machine Company had a most successful year and the rising value of its output reflects the high level of capital expenditure which we have been investing in these works.

Head Wrightson Processes had the satisfaction of sharing in the award to our consortium of the contract for the Dungeness Nuclear Power Station. This will ensure continuity of work for our large staff of specialists engaged on nuclear designs, as the contracts at Bradwell and Latina enter their final stages. The sale of special products showed a significant advance on the previous year and we are now observing an increasing interest in our latest designs of cooling towers embodying incorrodible plastic fittings.

Head Wrightson Processes has started a new department for effluent treatment. We believe that this new service which we are offering in association with the Alfloc Water Treatment Service of I.C.I. will show steady growth and fulfil a long needed want. At the Bradwell Nuclear Power Station we have been entrusted with the pond cooling and effluent treatment plants, the latter now embodying a dezincification unit to protect the oyster beds.

Head Wrightson Minerals Engineering had a most difficult year. As foreshadowed last year when its name was changed, it is actively pursuing the field of the treatment of minerals other than coal in which its skills may be used to the greatest advantage.

McKee Head Wrightson, our associated company in London specialising in the engineering of oil refineries and petro-chemical plants, has further consolidated its position.

The year has been an exciting one for our Research and Development Division.

I think we may claim that our expenditure on research and development is probably greater than most of our contemporaries in our fields of engineering. We are satisfied that this is a rightful investment towards the future well-being of the company. Great care is taken, however, in the control of the money expended and we are constantly re-examining research projects in the light of the changing demands of our companies and the likely prospect of an early return on our efforts.

THE FUTURE

We can look forward to a year of great activity but as I have mentioned, deliveries of steel—particularly special steels—may lead to costly delays in the next few months.

ALLIED INDUSTRIAL SERVICES

RESULTS SATISFACTORY

The Annual General Meeting of Allied Industrial Services, Ltd., will be held on July 20 at Bradford.

The following is an extract from the statement by the Chairman, Mr. Frank W. R. Douglas sent to Shareholders with the report and accounts:—

HONGKONG (SELANGOR) RUBBER

MR ADDINSELL'S STATEMENT

The forty-ninth annual general meeting of Hongkong (Selangor) Rubber, Ltd., was held on June 26th in London, Mr Jack Addinsell, chairman, presiding.

The following is an extract from his circulated statement:

Following the pattern which has been set for the past few years crop was once again in excess of the previous year and, in fact, was up by 70,700 lb., a very satisfactory increase of over 20 per cent. Although returns from our remaining small area of old rubber have continued on a profitable level the higher crop was primarily derived from our mature post-war rubber.

During the year a small area planted in 1955

GRAND CENTRAL INVESTMENT HOLDINGS LIMITED

The Second Annual General Meeting of Grand Central Investment Holdings Limited was held on June 27th in London. The following is an extract from the Statement by the Chairman, Mr C. A. Meakin:

The profit for the year amounted to £402,000 after allowing for depreciation, etc., but before tax. This represented a reduction of some £30,000 compared with 1959.

The incidence of Taxation shows a considerable increase due to the introduction of two new taxes. The first was a retrospective levy of 15 per cent based on the 1959 profits and this surcharge cost the Company no less than £22,000 which your Directors thought it equitable to finance by reducing the carry-forward from the previous year. If this particular tax continues

COMPANY MEETING REPORTS

Whilst we would have liked to have been able to show a greater increase in profits, we think that in all the circumstances we have not done too badly.

I am not suggesting that 1960-61 was a more than ordinarily difficult year in general but it was one in which there were definite indications that we were in for a general rise in costs. In addition there were shortages of labour in certain of our Works and the complete loss by fire of our plant at Northampton.

I have little doubt that the Northampton property, which is being completely rebuilt, will be in use as a Depot in July of this year. Other

with clonal seed was brought into tapping and is currently yielding very well considering the short period it has been opened up. Improving crops continue and for the first four months of the current year 136,700 lb. have been harvested as against 114,600 lb. for the year under review.

We are once again in receipt of tin tribute from Hongkong Tin. The income for 1960 is not large as the dredge did not recommence operations until September but we can, given no unforeseen circumstances, look forward to a satisfactory contribution to our profits for 1961 from this source.

It will be seen that from the sale of our rubber net proceeds at £43,593 were £9,330 higher than for the previous year mainly as a result of the larger crop since the average net price was only 1d. per lb. higher. Again as a result of the increased crop cost of production was nearly 1d. per lb. lower than for 1959; a

in 1960 we shall have to find a further £25,000 for which provision has been made. A further and most disagreeable feature of these new taxes was the introduction of a Land Tax payable at the equivalent of £1 2s. 6d. per acre, whether or not cultivated. As will be seen from the acreage statement, this Company possesses large areas under the heading of reserve land and, therefore, this particular liability assumes considerable proportions and in fact amounts to no less than £25,500 per annum. If these taxes continue to operate in addition to the present high rate of tax, the total Ceylon Tax is likely to be in the region of 75-80 per cent of the profits earned in that Country despite the allowance for replanting expenditure. This will explain, I hope, the reasons for what I consider are disappointing results of the year's working.

Our rubber crop was reasonably satisfactory and from the replanted areas we obtained the equivalent of 967 lb. per acre. As to the future and from the most recent forecast that we have

THE ECONOMIST JULY 1, 1961

encouraging factors have been the gradual increase in output and efficiency in several of our subsidiaries and our developments at Rochdale.

The net profit of the group for the year under review amounted to £593,714 as compared with £545,734 in the previous year. It is proposed to recommend a final dividend of 22½ per cent on the ordinary shares, making a total of 30 per cent for the year as compared with 27½ per cent in the preceding year.

The year has started quite well and I think we will achieve our objective of continued expansion together with satisfactory results.

very satisfactory reduction bearing in mind the higher wage rates in operation throughout the year. Export duty and cesses, over which the Company has no control, were up by 1¼d. per lb.

We have a profit on the year's working of £16,748. Your Board recommend a final dividend of 25 per cent making a total of 40 per cent for the year, which compares with the equivalent of 22½ per cent for 1959 prior to the capitalisation issue.

No replanting or new planting was undertaken in 1960 but a programme spread over the next five years comprising 96 acres of replanting, which will complete the rejuvenation of the old rubber, and 159 acres new planting has been provisionally agreed. The new planting is reserve land not yet under rubber which has been pronounced suitable for planting by the soil experts.

The report and accounts were adopted.

received from our Agents in Colombo it is anticipated that by the end of the next ten years and provided the present rate of replanting continues, we can look forward to a crop of about 18,000,000 lb., as compared with the 1960 intake of 12,500,000 lb.

The financial aid of replanting subsidies granted by the Ceylon Government is very welcome but there is little encouragement for the future with the present heavy incidence of taxation. The measures recently taken by the Finance Minister, Mr F. D. Bandaranaike have already borne some results in that Ceylon's foreign assets by the end of March last show an increase, albeit small but certainly in the right direction. The next Ceylon Budget is due to be presented on July 27th when I can only hope that the opportunity will be taken by Government to do what it can to reduce the taxation burden on products which are the main supports of the Island's economy.

The report and accounts were adopted.

COMPANY AFFAIRS

Cross Currents for Courtaulds

THERE is no doubt about the scope for expansion in made-made fibres: in the topical example of western Europe consumption might treble in the next ten years. Less certain is the profit margins that will be earned by producers and which groups will gain most. Courtaulds' vigorous drive to develop non-textile interests is some indication of the unpredictability of textiles. A year ago, when production was booming in Britain, investors may well have lost sight of this consideration for Courtaulds' £1 units rose to the equivalent of 60s. But in November, the interim report brought this lesson forcibly home; despite the inclusion of the results of Pinchin Johnson for the half-year, there was no significant increase in profit. After that, the sharp deterioration in demand which resulted in short-time working at one large rayon staple factory before the end of Courtaulds' financial year was evidently making a dent in profits.

Although sales rose by £32 million to £172 million, the group's net profit fell from £11,218,000 to £9,822,000 in the year to March 31st. The directors' report says that the woodpulp, packaging and plastic divisions earned more and it implies that the fabrics, chemicals and engineering divisions did well. A high price was paid for Pinchin Johnson last year, but bad luck brought a slump in motor car production and domestic appliances, the chief outlets for its paints, at the same time that consumption of man-made fibres turned down. The slump in motor production, particu-

substantial reduction in British tyre yarn prices.

The most discouraging aspect of the full report is the world-wide setback in viscose rayon, the group's principal product. (Textiles still account for 70 per cent of the group's assets, but now for less than 60 per cent of profits.) In Australia, Canada, France and the United States results were poor. Because it is longer-established, rayon usually bears the brunt of a recession in man-made fibres. Courtaulds is making rapid progress with its new fibres, but this is a field in which many groups are competing. The British patent for nylon has expired and more competition and a further cut in prices may follow. Both ICI and Courtaulds, joint owners of British Nylon Spinners, have announced plans to produce caprolactum from which nylon 6 is made. British Enka is also planning to produce nylon 6 in Northern Ireland.

It seems fortunate that the group is able to link with the report an announcement of an agreement with Koppers Company Incorporated, a large American chemical and plastics group. Courtaulds has bought about 4 per cent of Koppers' issued capital for £1½ million and now has two representatives on the Koppers' board. The main point of the agreement seems to be that Courtaulds wishes to develop non-textile interests in the United States as well as in other countries, and an exchange of technical information with Koppers will be an important stepping stone. On the ordinary dividend rounded up to 10 per cent, Courtaulds £1 units at 36s. 9d. yield 5½ per cent.

Metal Box

THE full report from Metal Box confirms the impression given by the preliminary figures that for the moment at least the group must look overseas for higher profits. The chairman, Sir Harold Roxbee Cox, says that the company's performance at home was unremarkable, because costs went up following the increase in wages and the shorter working week and because demand slackened in the last few months of the year to March 31st. Though turnover at home rose from £62.6 to £65.7 million higher wages and salaries cut into gross profits, which fell by £53,000 to £5,477,000. Overseas, sales rose by over 25 per cent, from £20.7 to £26.2 million, and gross profits by 28 per cent, from £2.3 to £2.9 million.

At home the fall in demand in the second half of the year seems to have been largely in cans for processed food and in the standard lines of containers and tubes. Sir

Harold says that demand at home is likely to remain depressed for a few more months and although overseas profits should continue to improve, profits in the six months to September 30th are likely to be lower than in the same period in 1960. But the outlook for the second half of the financial year is apparently better and sales in the current financial year are expected to be better than in 1960-61.

The dividend of 12 per cent on the increased capital compares with the equivalent of 10.9 per cent in 1959-60 and at 84s., the £1 shares yield 2.9 per cent, covered 2½ times. Earlier this year the shares touched 100s. 9d. and even now the yield looks a long way ahead. Investors are discounting the rise in sales and profits which should spring from Metal Box's massive capital programme. The group, having spent nearly £6½ million on capital account in 1960-61, is already committed to spending at least £6½ million more.

Express Dairy

IN an age of take-overs and mergers, preliminary profit statements are often difficult to interpret when the extent to which new acquisitions contributed to profits is not shown. Pre-tax profits of Express Dairy rose by £500,000 from £2.3 million to £2.8 million in the year to March 31st, but it would seem that by far the greater part, if not all, of the increase came from Spiers and Pond, acquired last November. This hotel catering concern was estimated to have earned a gross profit of about £400,000 in the year to end-September and a further £120,000 was expected to arise from Spiers and Pond's own acquisitions. As Express Dairy acquired Spiers and Pond with effect from October 1, 1959, it is to be presumed that its latest present profits include 18 months' earnings from its new subsidiary.

While any true assessment must await the full accounts it seems clear that like most other companies in the food industry, (besides its milk business Express Dairy runs a number of supermarkets) the group's profit margins have been squeezed. On the capital as increased both by rights and scrip issues and by shares issued to Spiers and Pond shareholders, the dividend is effectively maintained at 10 per cent. Not surprisingly since the results the 5s. "A" shares have fallen by 1s. 7½d. to 15s. 3d., to yield 3½ per cent.

Hovis-McDougall

THE preliminary statement of Hovis-McDougall is another that leaves a number of questions unanswered. Profits before tax for the year to March 31st last rose from £2.4 million to £2.7 million but these included for the first time the profits of E. Marriage, which has flour milling interests in south east England. In addition Hovis-McDougall made a number of smaller acquisitions last year, including Skurrays, the motor distributors and engineers.

Continued on page 89

APPOINTMENTS

TAXATION. A well-known firm of Chartered Accountants in Singapore and Malaya have a vacancy for a senior appointment in their taxation department. Applicants should have a wide knowledge and experience of taxation but need not necessarily possess an accountancy qualification. The appointment, which should lead to early promotion for the right man, would suit a serving or retired Inspector of Taxes. The starting remuneration will depend upon experience but will be substantial.—Applications, with full details, should be sent to Box 1523.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the CHAIR OF MEDIEVAL HISTORY. Duties to commence as soon as possible. Salary not less than £2,600 per annum. Membership of F.S.S.U. and Children's Allowance Scheme. Applications (twenty copies), giving full details of qualifications, publications, experience, etc., and the names and addresses of at least three persons to whom reference may be made, should be sent not later than July 15, 1961, to the Registrar, The University, Manchester, 13, from whom further particulars may be obtained. Overseas candidates may submit one copy of their application.

HERTFORDSHIRE COUNTY COUNCIL

HATFIELD COLLEGE OF TECHNOLOGY
Dr. W. A. J. Chapman, M.Sc.(Eng.)

Lecturer in Marketing

Applications are invited for this post in Management Studies. Applicants should be graduates in economics and/or statistics, with experience in marketing or sales management and in training or teaching. Salary £1,370-£1,550 according to experience. Details from Registrar.

THE Esso Petroleum Company Limited has a vacancy in its Public Relations Department for an ESTABLISHED WRITER of real talent for varied and important non-technical assignments. Applicants should have ten years' writing experience and should be prepared to show published work. A flair for writing will be considered more important than technical knowledge or industrial experience. This is a senior appointment with an appropriate salary. Write to: Head of Recruitment (Ref. 336), Esso Petroleum Co. Ltd., 16 Charles II Street, London, S.W.1.

LEEDS EDUCATION COMMITTEE

LEEDS COLLEGE OF COMMERCE

43, WOODHOUSE LANE, LEEDS, 2
Principal:
E. V. Roberts, B.Com., F.C.A.
Applications are invited for the post of LECTURER in STATISTICS. Experience in the application of statistics to management control, including OPERATIONAL RESEARCH, is looked for. Research and consultancy work with local industry are encouraged. Salary (under review): £1,370 x £15—£1,550. An appointment may be made above the minimum of the scale. Application forms and further particulars may be obtained from the Principal at the College.
GEORGE TAYLOR,
Chief Education Officer,
Education Department,
Calverley Street,
Leeds, 1.

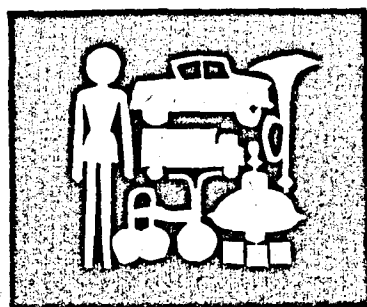
ECONOMIST

Economist with some industrial experience wanted for a new position in its Research and Development Division by engineering firm in N.E. Salary about £1,250. Full details to Box 1524.

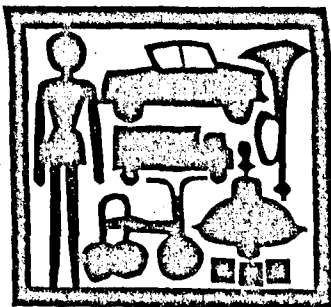
For further appointments and other classified advertisements see pages 94 and 95

THE UNIVERSITY OF MANCHESTER

Applications are invited from graduates or holders of a suitable professional qualification for a post as TUTOR in the Department of Social Administration. The duties are concerned with the National Training Scheme for Hospital Administrators and experience in the organisation of training schemes will be an advantage. The appointment will be for three years in the first instance and the salary will be within the scale £800 x £50—£950, or £1,050 x £50—£1,550 (merit bar-line) x £75—£1,850 according to experience and qualifications. Further details and application forms may be obtained from the Registrar, The University, Manchester 13, to whom applications should be submitted by July 10, 1961.



Boom in Toytown



CHILDREN may be thinking now more of ice cream and the sea—and possibly of the less exciting prospect of school examinations—than of toys. But there is plenty of evidence that toys are never far from their thoughts—or their parents. Evidence of this is supplied by the full report of Lines Brothers, by far the biggest toy manufacturer in this country, which sells under the trade mark of Triang Toys and owns Hamleys of Regent Street, the second biggest toyshop in the world. It is also one of the leading pram manufacturers. A change in its financial year to end-December means that the latest accounts cover eighteen months, including two Christmases when the bulk of retail sales are made. On an annual basis its trading profits rose from £1,391,000 to £1,769,000 and the dividend of 40 per cent represents 26½ per cent per annum, one third up on 1958-59.

As before, the dividend is covered over three times, the company having ploughed back substantial sums to finance expansion at home and overseas. Lines has a valuable stake in the common market; in France it is building and re-equipping more factories and it has acquired a controlling interest in J. Schowaneck, a leading German toy manufacturer. Mr Lines is optimistic.

	1961 prices	Div.	Yield
	Jan. 3	June 29	per cent
Airfix Inds. Ord. (4/-)	35/6	50/-	47½
Chad Valley (5/-)	5/6	6/3	Nil
Lesney Products (5/-)	30/6	46/9	27½
Lines Brothers (5/-)	27/4½	37/-	26½
Meccano A (5/-)	8/6	7/1½	10
D. Sebel (2/-)	2/10½	3/8½	15½

Four other public companies in this field have all recently issued reports, all showing higher profits. Perhaps the most interesting of these is Lesney Products. This producer of the popular "Matchbox" models of cars and vehicles became a public company only last September when its shares were offered for sale at 20s. They now stand at 47s., reflecting the rapid growth in gross profits to £332,000 in the year to January 19th. Ten years ago the company was making a small loss and profits have quadrupled in the last five years. Profits comfortably exceeded the estimate made at the time of the offer and the dividend at 27½ per cent was 2½ points above the forecast. It is covered five times by earnings but until 1963 only half the equity ranks for dividend.

With more capacity available the chairman is confident that output can be raised to meet the big demand for its toys and he says that exports to North America

and Germany are substantial. But the company has had to work at lower profit margins and the retail price of "Matchbox"

SALES, EXPORTS AND IMPORTS

	1951	1955	1957	1959	1960
	(£ million)				
Toy production ...	25.3	32.2	35.9	36.1	40.5
Including:—					
Metal toys ...	10.5	12.9	14.2	13.3	15.8
Plastic toys ...	2.8	6.2	7.6	8.3	8.6
Exports ...	7.4	6.8	7.5	8.0	9.3
Imports ...	1.5	1.9	2.4	3.2	5.3

toys in this country was raised in December from 1s. 6d. to 1s. 8d. Lesney's interests are not entirely confined to the toy industry for its commercial die casting business accounts for 15 per cent of total sales.

D. Sebel, makers of the "Mobo" toys and "Jetex" kits is another company with a policy of diversification; its furniture business, in the words of its chairman, Mr L. Sainer, "works in well during the slack times of the year." Mr Sainer is better known as one of Mr Clore's right hand men but D. Sebel has shown few signs of the buoyant profits that might perhaps be expected from such management. Even so, apart from a sharp setback in 1957, profits have made a small but steady advance. They seem likely to rise again this year, for Mr Sainer has forecast a maintained 15 per cent dividend on the capital as increased by a one for three scrip issue.

As the table shows the return on Airfix Industries shares is less than half that obtainable on D. Sebel. Formed from the "shell" of Ceylon Cocoa and Rubber Company it has subsidiaries making construction kits and toys as well as novelties and household products, all in thermo-plastic materials. Its trading profits have risen from £274,000 in 1958 to £429,000 in 1960 and over that short period the ordinary dividend has been raised from the equivalent of 21½ to 47½ per cent. This was covered three times by earnings in 1960 even though the final dividend was paid on shares issued as part payment on the acquisition of the LWG Group. The latest accounts do not include any profits from this group, which makes some of the plastic toys displayed on the counters of Woolworth and other chain stores. This acquisition should enable Airfix Industries to maintain its record of growth, while the current year's results will also include for the first time earnings of a French subsidiary. Sales so far this year have again risen following the decision to deal directly with the retailers.

An advance in profits in 1961 has been

forecast by the chairman of Chad Valley, which has had a poor trading record since its peak period early in the 1950's. This company makes teddy bears and other toys as well as many indoor games, and incurred trading losses in 1956, 1957 and 1958 but the new management seems to have arrested the decline. In 1960, its centenary year, a net loss of £28,000 was turned into a net profit of £41,000 and this, together with a surplus on the revaluation of properties, has reduced the debit balance on the profit and loss account from £115,000 to £19,000 at the end of 1960.

From Meccano however has come further disappointing news this week. For the third year running gross profits have fallen sharply, from £240,000 to £126,000 in the year to January 31st last. This compares with a gross profit of £636,000 in 1957-58. Not surprisingly the dividend instead of being raised from 9 to 10 per cent as had been forecast has been reduced to 8 per cent. Besides its Meccano kits the company makes Dinky toys and the Hornby Dublo clockwork and electric trains. The latter are now being marketed in two-rail as well as three-rail sets and the holding off of purchases by both dealers and the public before the advent of two-rail sets and their late arrival in quantity was said to be a major cause for the earlier decline in profits. The French subsidiary too has had a poor trading record recently. Now it seems that the company has run into production difficulties and costs have risen; but the Meccano directors say that trade this year is substantially higher than a year ago.

The toy industry seems to be reasonably confident about the immediate future though foreign competition is increasing. Following the lifting of most of the severe quotas, imports of foreign toys rose sharply last year. Over £2 million of toys, largely of the cheap plastic type, came from Hong-kong. There was also a substantial increase in the quota of Japanese toys from £180,000 to £415,000 and it seems possible that these imports will rise still further. But the British manufacturers have built up their exports which last year accounted for over 40 per cent of total production. With almost three-quarters of the toy trade squeezed into the last three months of the year it will not be until Christmas that the full impact of foreign toy imports will be felt. From the investor's point of view it seems likely that it will be the smallest of the 350 toy firms in this country which will be badly hit, for the bigger manufacturers are holding their own in the "quality" market.

The flour trade is very competitive and the chairman said a year ago that margins were limited to a bare commercial return on capital employed. This shows how important are Hovis-McDougall's attempts to diversify its interests not only into the motor industry but also in wholesale grocery, butter packaging and animal foods. The proposal to raise a further £2 million by a one for ten rights issue may indicate that the company is thinking of further acquisitions, for at the end of March, 1960, the group held almost £2½ million in liquid form. Capital commitments then amounted to only £700,000 and these should have been easily covered by the cash flow.

The directors' present intention is that the new shares should be issued at 12s. 6d. a share, to make the rights worth about 4½d. at the current price of 17s. 3d. Assuming that the bigger dividend of 12½ per cent, against the equivalent of 11½ per cent, is maintained on the increased capital, the indicated yield ex-rights is 3.8 per cent.

Rediffusion

As sales of television sets now depend much more on replacement demand, it has been possible to predict with confidence a fall in the rate of growth of profits among the companies in the radio and television industry. The market was not therefore surprised that the gross profits of the group rose by 11 per cent from £6,465,000 to £7,158,000 in the year ending March 31st, compared with a rise of 38 per cent in the previous year. The company's stake in Associated-Rediffusion contributed to this increase. After a heavier depreciation charge, a bigger allotment to contingencies reserve and a sharp increase in taxation from £713,000 to £1,292,000, net profits in 1960-61 rose by 13 per cent, from £1,656,000 to £1,867,000.

The group cannot escape from the effects of saturation in the television market but as most of its business lies in the field of relay radio and television it was well placed to withstand the impact of the credit squeeze. The group, through the Redifon organisation, does have manufacturing interests but most of its products, other than those used in its own relay business, go overseas. The dividend, as forecast, has been raised from 20 to 24 per cent free of tax, covered 1½ times; but the new ordinary stock resulting from the recent rights issue does not rank for the dividend. At 42s. 9d. the 5s. shares yield 4.6 per cent.

British and Commonwealth Shipping

An improvement in passenger revenue and in the volume of freight traffic was reflected in the rise of 27 per cent in the gross profits of British and Commonwealth from £6,012,000 to £7,663,000 last year. The introduction of new vessels to the fleet added to earnings but also added to the

depreciation charge. The total depreciation charges however were lower as no provision had to be made for aircraft, since these interests were transferred to an associate company and now rank as trade investments. An increase in investment allowances from £1½ million to £2½ million reduced the tax burden and therefore contributed to the rise in net profits from £2,553,000 to £4,183,000.

The group's re-building programme reached its peak last year when net capital expenditure was about £12½ million, compared with £8½ million in 1959 and just over £12 million in 1958. The cash flow of £8 million thus covered about two-thirds of the year's expenditure, and inevitably liquid balances were reduced from £15 million to £9½ million.

Four more cargo ships were ordered last year and at the end of December ten ships were on order, against nine at the end of 1959. But the total tonnage on order is lower and capital commitments have fallen from £21½ million to £14½ million so that the group may, if it maintains its earnings this year, be able to finance this programme without again drawing down its liquid balances. The directors have maintained the dividend at 20 per cent, covered 4½ times, and at 36s. 6d. the 10s. shares yield 5½ per cent.

Allied Ironfounders

ALLIED IRONFOUNDERS is yet another company to report narrower profit margins on bigger sales. The rise in costs contributed to the fall of 13 per cent in gross profits, from £2,560,000 to £2,225,000 in the year to April 1st. But almost half of this decline was due to higher depreciation charges and a smaller income from investments. After a lower tax charge net profits fell by 11½ per cent from £1,332,000 to £1,183,000. The fall in profit margins seems to have been particularly marked in the latter half of the financial year as profits earned between May and August, when the group made its bid for Bilston Foundries, were higher than in the corresponding period of 1959. The dividend has been maintained at 20 per cent, though the cover has fallen from 2 to 1½ times.

The chairman, Mr G. S. Steven, says that the building industry, which is the group's principal customer, remains prosperous; this should ensure a high level of demand for the group's wide range of products, including pipes, cookers, boilers and fires. Hardly any of these are subject to purchase tax so that the threat of the Chancellor's "economic regulator" has little meaning for Allied Ironfounders. Mr Steven says that the year ahead offers an opportunity for further expansion, particularly in central heating boilers and plastic piping (which will be marketed before the end of the financial year). The £1 shares fell recently to 66s., their lowest point of the year, but after the chairman's statement they rose by 1s. to 67s., to yield 6 per cent.

London Stock Exchange

FIRST DEALINGS:	June 12	June 26	July 10
LAST DEALINGS:	June 23	July 7	July 21
ACCOUNT DAY:	July 4	July 18	Aug. 1

THE close of the account last weekend saw the stock market in a subdued mood. Small sellers were in a majority and the opening of the new account on Monday did not see any revival of interest among buyers. The chancellor's warnings about the economic situation which, together with uncertainty about the Soviet attitude to Berlin, had discouraged buyers before the weekend continued to influence the market on Monday and Tuesday; labour troubles in the motor industry and the dullness of Wall Street were other factors making for uncertainty. But on Wednesday a small number of buyers seeking stock at low prices was enough to push prices up a little. Their net effect was not enough to outweigh the earlier falls and *The Economist* indicator fell by 8 points to 383.2, its lowest level for four months.

Gilt edged stocks were very weak. Small sellers dominated the scene, as they did in the equity market, but there was no improvement in gilts on Wednesday, and in fact on that day the short-dated stocks fell back although a change in Bank Rate was not generally expected. Conversion 4½ per cent 1964 lost ½ to 96½ and 3½ per cent War Loan fell to 52½. Dominion and Corporation stocks moved in sympathy with gilt edged stocks and there was widespread selling of high-coupon stocks.

In the equity market, bank shares failed to hold their gains made last Thursday; Barclays lost 1s. 3d. to 81s. 6d. and Lloyds 4s. to 68s. 3d. Insurance shares continued to fall, Legal and General losing a full point to 33 in spite of a gain of ½ on Wednesday. Among hire purchase shares, UDT lost 10s. to 177s. 6d. Store shares met with small selling until Wednesday and House of Fraser lost 3s. 7½d. to 56s. Among food shares Associated British Foods lost 6d. to 13s. and brewery shares were also dull, with Bass losing 9d. to 24s. 6d. Richardsons, Westgarth lost 1s. 1½d. to 5s. 9d. after the dividend had been passed but the news that Cunard Eagle had been granted a licence to fly the North Atlantic resulted in a net rise of 4½d. to 15s. 9d. in Cunard shares.

Steel shares fell back over the week; Dorman Long fell to a new low for the year of 32s. 1½d. before recovering to 32s. 7½d., a net loss of 1s. 9d. over the week. Textile shares lost small amounts and cottons failed to rally on Wednesday; Courtaulds lost 1s. 9d. in all despite a gain of 1s. on Wednesday. Property shares declined on rumours that the government might request the institutions to withhold funds for property development. Oil shares were dull before the week-end and news about Kuwait led to a fall in Shell from 128s. 6d. to 123s. 9d. Tin shares rose again, with Tronoh gaining 3s. 3d. to 85s. 9d. Kaffirs showed net falls despite Wednesday's rally; Western Holdings lost 1s. 3d. to 110s. and Anglo American 3s. 9d. to 117s. 6d.

LONDON AND NEW

Prices, 1961		BRITISH FUNDS AND GUARANTEED STOCKS		Price, June 21, 1961	Price, June 28, 1961	Net Yield, June 28, 1961	Gross Yield, June 28, 1961	Prices, 1961		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, June 21, 1961	Price, June 28, 1961	Yield, June 28, 1961	Cover
High	Low							High	Low			High	Low				
92 1/2	89 1/2	Savings Bonds 3% 1955-65		91 1/2	90 1/2	£ 5. d.	£ 5. d.	94/6	65/9	%	%	BANKS, DISCOUNT & HP		82/9	81/6	3.19	
100 1/2	99 1/2	Conversion 4 1/2% 1962		99 1/2	99 1/2	2 6 4	5 9 8	74/3	74/3	7 a	7 b	Barclays		81/6	81/6	3.60	
101 1/2	100 1/2	Exchequer 5 1/2% 1962-63		100 1/2	100 1/2	2 6 4	5 9 8	80/-	58 7/2	6 a	7 b	District		72/3	68/9	3.17	
93 1/2	92 1/2	Exchequer 2 1/2% 1963-64		93 1/2	93 1/2	4 1 9	5 2 10 1/2	26 1/2	18 7/2	7 a	8 b	Lloyds		72/3	72/3	3.19	
98 1/2	97 1/2	Conversion 4 1/2% 1963		98 1/2	98 1/2	3 13 4	5 11 3	97/3	97/3	8 a	9 b	Martins		72/3	72/3	3.19	
98 1/2	97 1/2	Conversion 4 1/2% 1964		97 1/2	96 1/2	3 13 6	5 13 8	95/6	58/9	5 1/2	10 1/2	Midland		80/-	77 1/2	3.87	
101 1/2	98 1/2	Exchequer 5 1/2% 1966		98 1/2	98 1/2	3 11 11	5 17 9	44/9	37/3	8 a	9 b	Nat Provincial		83/3	82/3	3.40	
83 1/2	80 1/2	Funding 3% 1959-69		81 1/2	80 1/2	4 18 4	6 5 8 1/2	52/-	47/-	4 a	5 b	Westminster		79/6	77/9	3.43	
89 1/2	86 1/2	Funding 4% 1960-90		87 1/2	86 1/2	3 15 4	5 9 9 1/2	52/-	47/-	4 a	5 b	Australia & N.Z. £1 p.p.		43/3	41/3	5.82	
79 1/2	77 1/2	Savings Bonds 3% 1960-70		78 1/2	77 1/2	4 19 5	6 7 8 1/2	30/8	27/4	8 a	9 b	Bk. Lond. & S. Amer. £1		47/9	48/-	4.17	
84 1/2	82 1/2	Savings Bonds 2 1/2% 1964-67		83 1/2	83 1/2	4 16 7	5 18 9 1/2	44/9	33 1/2	10 a	11 b	Bank of Montreal, £10		28	27 1/2	5.24	
70 1/2	70 1/2	Savings Bonds 3% 1965-75		70 1/2	70 1/2	4 17 0	6 7 2 1/2	44/9	33 1/2	10 a	11 b	Bank of New S. Wales £20		37/3	36/6	5.48	
83 1/2	81 1/2	Funding 3% 1966-68		82 1/2	81 1/2	4 19 10	6 5 8 1/2	40/3	34/6	5 a	10 b	Barclays D.C.O.		35/9	36/6	5.48	
97 1/2	93 1/2	Victory 3 1/2% 1920-76		96 1/2	96 1/2	3 2 2	4 15 9 1/2	£21	£14 3/4	5 a	10 b	Chartered		35/9	36/6	5.48	
85 1/2	83 1/2	Conversion 3 1/2% 1969		84 1/2	83 1/2	4 15 9	6 7 7 1/2	£25 1/2	£23 1/2	5 a	10 b	Hongkong & Shang. £25		£181	£181	5.36	
93 1/2	89 1/2	Conversion 5% 1971		90 1/2	89 1/2	4 6 1 1/2	6 8 7 1/2	21/9	15/3	5 a	10 b	Nat. Com. Bk. Scot. £1		£60/3	£59/3	2.78	
95 1/2	91 1/2	Conversion 5 1/2% 1974		92 1/2	91 1/2	4 1 5	6 4 8	40/3	34/6	5 a	10 b	Royal Bk. Canada, £10		£27 1/2	£27 1/2	3.05	
73 1/2	69 1/2	Treasury 3 1/2% 1977-80		70 1/2	69 1/2	4 12 4	6 6 10 1/2	165/-	95/-	22 1/2 c	22 1/2 c	Royal Bk. of Scotland, £1		109/9	106/-	3.49	
72 1/2	69 1/2	Treasury 3 1/2% 1979-81		70 1/2	69 1/2	4 11 11	6 7 7 1/2	89/6	59/9	2 1/2 c	2 1/2 c	Stand. Bk. S. Africa, £1		36/9	36/9	8.16	
97 1/2	91 1/2	Funding 5 1/2% 1982-84		92 1/2	91 1/2	3 18 5	6 3 6 1/2	60/6	49/9	6 a	6 b	Hambros		137/6	132/6	3.40	
59 1/2	54 1/2	Redemption 3% 1986-96		55 1/2	54 1/2	4 8 8	6 5 8 1/2	27 1/4	18 10 1/2	5 a	13 b	Schroders		77/6	76/6	1.96	
88 1/2	83 1/2	Treasury 5% 1986-89		84 1/2	83 1/2	4 2 2	6 7 3 1/2	23/6	17/9	9 a	9 b	Union Discount		51/-	49/9	5.03	
63 1/2	58 1/2	Funding 3 1/2% 1999-2004		59 1/2	58 1/2	4 10 11	6 6 0 1/2	21/9	15/3	5 a	10 b	Bowmaker		21 1/4	19 1/4	4.65	
84 1/2	81 1/2	Treasury 5 1/2% 2008-12		80 1/2	79 1/2	4 19 7	6 8 7 1/2	21/9	15/3	5 a	10 b	Lombard Banking		18 1/4	18 1/4	5.24	
65 1/2	59 1/2	Consols 4 1/2% after Feb. 1957		61 1/2	59 1/2	4 2 9	6 14 10 1/2	155/-	72 1/2	22 1/2 b	22 1/2 b	Mercantile Credit		17 1/4	15 10 1/2	3.94	
59 1/2	52 1/2	War Loan 3 1/2% after Apr. 1952		54 1/2	52 1/2	4 1 5	6 13 3 1/2	31/3	20/-	7 1/2 a	12 1/2 b	United Domin. Tst.		187/6	177/6	2.99	
59 1/2	52 1/2	Conv. 3 1/2% after Apr. 1961		54 1/2	52 1/2	4 1 5	6 13 3 1/2	31/3	20/-	7 1/2 a	12 1/2 b	BREWERIES, Etc.		25/3	24/6	4.08	
50 1/2	45 1/2	Treasury 3 1/2% after Apr. 1965		46 1/2	45 1/2	4 1 9	6 14 4 1/2	42/-	31/-	12 1/2 c	6 a	Distillers		36/-	34/9	3.60	
44 1/2	38 1/2	Consols 2 1/2% after Apr. 1975		39 1/2	38 1/2	3 19 9	6 10 2 1/2	60/6	51 1/4	14 1/2 b	8 a	Flowers		19 1/2	19/9	2.66	
43 1/2	38 1/2	Treasury 2 1/2% after Apr. 1975		39 1/2	38 1/2	4 0 7	6 12 5 1/2	14/9	13 7/2	5 a	7 1/2 b	Guinness		54 1/2	54 1/2	4.07	
91 1/2	89 1/2	British Electric 4 1/2% 1967-69		90 1/2	89 1/2	4 0 7	6 12 5 1/2	14/9	13 7/2	5 a	7 1/2 b	Ind. Coope T.A., £5		13 10 1/2	13 10 1/2	4.36	
75 1/2	73 1/2	British Electric 3 1/2% 1968-73		73 1/2	73 1/2	4 18 6	6 7 5 1/2	42/-	31/-	5 a	7 1/2 b	Teacher (Distillers)		35/-	34/6	3.62	
70 1/2	68 1/2	British Electric 3 1/2% 1974-77		68 1/2	68 1/2	4 16 3	6 6 8 1/2	98/-	76/9	12 b	6 a	Watney Mann		95/-	93/6	3.85	
81 1/2	79 1/2	British Electric 4 1/2% 1974-79		80 1/2	79 1/2	4 6 1	6 5 5 1/2	135/-	106/6	8 a	19 b	Whitbread 'A'		£121/3	£120/7 1/2	4.48	
73 1/2	69 1/2	British Electric 3 1/2% 1976-79		70 1/2	69 1/2	4 12 5	6 6 11 1/2	106/6	85/6	2 1/2 c	2 1/2 c	BUILDING, PAINT, Etc.		25/3	24/6	4.08	
84 1/2	82 1/2	British Gas 4% 1969-72		83 1/2	83 1/2	4 10 2	6 6 9 1/2	96/9	70/3	4 a	8 1/2 b	Associated Portland		81 3/4	77/9	3.22	
81 1/2	79 1/2	British Gas 3 1/2% 1969-71		80 1/2	80 1/2	4 14 4	6 6 8 1/2	28 1/2	21 1/2	4 a	8 1/2 b	British Plaster Bd.		23 7/2	21 7/2	5.78	
59 1/2	54 1/2	British Gas 3% 1990-95		55 1/2	54 1/2	4 10 0	6 6 7 1/2	26 10 1/2	18/3	6 a	10 b	Richard Costain		19 1/4	17 1/2	4.32	
75 1/2	73 1/2	British Transport 3% 1968-73		73 1/2	73 1/2	4 18 6	6 7 5 1/2	13/-	10 b	10 b	5 a	Crittall Mfg.		10 1/6	7 1/2	7.18	
80 1/2	76 1/2	British Transport 4% 1972-77		77 1/2	76 1/2	4 9 3	6 6 0 1/2	18/6	11 10 1/2	6 a	14 b	International Paints		12 10 1/2	11 10 1/2	6.74	
67 1/2	63 1/2	British Transport 3% 1978-88		63 1/2	63 1/2	4 13 7	6 7 8 1/2	105/6	85/6	2 1/2 c	2 1/2 c	London Brick		97/6	94/6	3.70	

Prices, 1961		DOMINION AND CORPORATION STOCKS		Price, June 21, 1961	Price, June 28, 1961	Yield, June 28, 1961
High	Low					
82 1/2	79 1/4	Australia 3 1/2% 1965-69		80 1/4	80	2 12 0
101 1/2	98 1/2	Australia 4 1/2% 1974-76		98 1/2	98	6 6 0
101 1/2	98 1/2	Ceylon 4% 1973-75		98 1/2	98	7 14 0
80 1/2	71 1/2	New Zealand 6% 1976-80		78 1/2	78	6 0 0
81 1/2	75 1/2	Rhodesia and Nyasaland 6% 1978-81		78 1/2	78	6 0 0
81 1/2	75 1/2	South Africa 12% 1965-67		77 1/2	76 1/2	8 16 0
59 1/2	56 1/2	Southern Rhodesia 4 1/2% 1987-92		56 1/2	56 1/2	8 14 0
94 1/2	90 1/2	Agricultural Mortgage 5 1/2% 1980-85		91 1/2	90 1/2	6 5 4 1/2
89 1/2	84 1/2	Birmingham 4 1/2% 1967-70		85 1/2	84 1/2	6 9 0 1/2
92 1/2	88 1/2	Bristol 5% 1971-73		89 1/2	88 1/2	6 7 0 1/2
93 1/2	89 1/2	Corporation of London 5 1/2% 1976-79		89 1/2	89 1/2	6 5 0 1/2
48 1/2	43 1/2	L.C.C. 3% 1979-81		44 1/2	43 1/2	6 17 0 1/2
89 1/2	85 1/2	L.C.C. 5% 1980-83		86 1/2	85 1/2	6 6 0 1/2
93 1/2	88 1/2	Middlesex 5 1/2% 1980		90 1/2	88 1/2	6 8 0 1/2

NEW YORK PRICES AND INDICES											
June 21		June 28		June 21		June 28		June 21		June 28	
	\$		\$		\$		\$		\$		\$
Atch. Topeka . . .	253 1/2	251 1/2	Boeing	451 1/2	47 1/2	Int. Harvester . . .	53 1/2	53 1/2			
Can. Pacific . . .	24 1/2	24 1/2	Celanese	39 1/2	37 1/2	Inter. Nickel . . .	72 1/2	76 1/2			
Pennsylvania . . .	13 1/2	13 1/2	Chrysler	46 1/2	45 1/2	Inter. Paper . . .	31 1/2	30 1/2			
Union Pacific . . .	32 1/2	33 1/2	Col. Palmolive . .	44 1/2	43 1/2	Kennecott	86 1/2	85 1/2			
Amer. Electric . .	66 1/2	67 1/2	Crown Zeller . . .	53 1/2	53 1/2	Monsanto	53 1/2	52 1/2			
Am. Tel. & Tel. . .	117 1/2	117 1/2	Distillers Seag. . .	39 1/2	39 1/2	Nat. Distillers . .	28 1/2	27 1/2			
Cons. Edison . . .	78 1/2	78 1/2	Douglas	32 1/2	32 1/2	Pan-American . . .	18 1/2	17 1/2			
Int. Tel. & Tel. . .	52 1/2	52 1/2	Dow Chemical . . .	78 1/2	77 1/2	Procter Gamble . .	84 1/2	85 1/2			
Standard Gas . . .	35 1/2	35 1/2	Du Pont	21 1/2	21 1/2	Radio Corp. . . .	58 1/2	58 1/2			
United Corp. . . .	81 1/2	81 1/2	East. Kodak	106 1/2	105 1/2	Sears Roebuck . .	66 1/2	66 1/2			
Western Union . .	43 1/2	41 1/2	Ford Motor	87 1/2	81 1/2	Shell Oil	38 1/2	39 1/2			
Alcoa	74 1/2	71 1/2	Gen. Electric . . .	62 1/2	63 1/2	Socomy-Mobil . . .	46 1/2	45 1/2			
Aluminum	35 1/2	34 1/2	General Foods . . .	82 1/2	82 1/2	Stand. Oil Ind. . .	51 1/2	51 1/2			
Amer. Can.	41 1/2	41 1/2	General Motors . .	45 1/2	45 1/2	Stand. Oil N.J. . .	43 1/2	43 1/2			
Am. Smelting . . .	66 1/2	66 1/2	Goodyear	41 1/2	41 1/2	Union Carbide . . .	138 1/2	139 1/2			
Am. Viscose	57 1/2	56 1/2	Gulf Oil	38 1/2	37 1/2	U.S. Steel	82 1/2	80 1/2			
Anaconda	57 1/2	57 1/2	Heinz	53 1/2	52 1/2	West. Electric . . .	43 1/2	44 1/2			
Beth. Steel	43 1/2	42 1/2	Int. Bus. Mach. . .	47 1/2	47 1/2	Woolworth	77 1/2	77 1/2			

Money and Exchanges

EXCHEQUER RETURNS

For the week ended June 24, 1961, there was an "above-line" deficit (after allowing for sinking funds) of £4,532,000 compared with a deficit of £28,032,000 in the previous week and a deficit of £45,662,000 in the corresponding period of last year. There was a net receipt "below-line" of £3,863,000 leaving a total cumulative deficit to date of £158,943,000 compared with £231,946,000 in 1960-61.

£'000	Estimate 1961-62	April 1, 1960, to June 25, 1960	April 1, 1961, to June 24, 1961	Week ended June 25, 1960	Week ended June 24, 1961
Ordinary Revenue					
Income Tax.....	2,728,500	286,345	334,975	27,556	32,070
Surtax.....	210,000	23,600	27,900	1,100	1,300
Death Duties ..	240,000	53,900	68,100	4,100	4,500
Stamps	94,000	21,000	26,000	1,100	2,900
Profits tax, EPT and EPL.....	325,500	46,600	58,000	3,300	5,700
Other Inland Rev. Duties..	...	...	...	...	...
Total Inland Rev.	3,598,000	431,445	514,975	37,156	46,470
Customs.....	1,550,000	347,491	372,861	28,883	30,521
Excise.....	960,000	205,205	200,700	3,150	5,245
Total Customs and Excise.....	2,510,000	552,696	573,561	32,033	35,766
Motor Duties ..	155,000	14,226	15,853		3,036
PO (Net Recpts)	...	9,400		Dr. 3,800	
Broadcast Lic'ce	40,000	4,600	6,800		1,800
Sundry Loans }	205,000	11,344	105,641	200	109,611
Miscellaneous }		26,894		224	
Total	6,508,000	1,050,605	1,216,830	65,813	98,033
Ordinary Expenditure					
Debt Interest ..	660,000	172,287	192,346	5,850	5,462
Payments to N. Irish Finance ..	92,000	20,434	16,879	3,554	...
PO Fund - Initial settlement	15,000	...	...	...	...
Other Consoli- dated Funds ..	8,000	1,131	1,133	6	13
Supply Services.	5,186,000	1,032,241	1,090,456	101,895	96,570
Total	5,961,902	1,226,093	1,300,814	111,305	102,045
Sinking Funds..	40,000	6,401	6,180	170	520
" Above-line " Surplus or Deficit		181,889	90,164	45,662 Cr.	4,532 Cr.
" Below-line " Net Expen- diture*		50,057	68,779	20,707	3,863
Total Surplus or Deficit		231,946	158,943	24,955	669
Net receipts from :					
Tax Reserve Certificates		36,068	39,766	1,084	745
Savings Certificates.....		22,200	4,600	2,400	300
Defence Bonds		23,507	16,352	3,170	1,769
Premium Savings Bonds.		10,330	11,050	850	1,300
Total		92,105	62,568	7,504	3,514

* Net receipts of the Civil Contingencies Fund of £3 million in 1961-62 compared with a net issue of £8 million in 1960-61.

FLOATING DEBT

(£ million)

	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Dept.	Bank of England	
1960 June 25	3,460-0	2,022-4	208-9	0-3	5,691-5
1961 Mar. 18	3,080-0	1,595-9	307-9	...	4,983-7
" 25	3,100-0	1,606-0	300-5	4-3	5,010-7
" 31	4,648-1		307-3	...	4,955-4
Apr. 8	3,110-0	1,599-2	299-4	...	5,008-6
" 15	3,130-0	1,928-5	269-5	6-0	5,333-9
" 22	3,140-0	1,911-3	336-3	...	5,387-6
" 29	3,110-0	1,993-1	247-9	...	5,351-0
May 6	3,130-0	1,887-3	293-3	...	5,310-6
" 13	3,160-0	1,893-0	275-3	...	5,328-2
" 20	3,180-0	1,839-1	316-3	...	5,335-5
" 27	3,210-0	1,843-3	249-7	...	5,303-0
June 3	3,240-0	1,825-3	258-5	...	5,323-8
" 10	3,270-0	1,827-6	242-2	...	5,339-8
" 17	3,280-0	1,823-6	263-9	...	5,367-5
" 24	3,290-0	1,874-2	201-6	...	5,365-8

THE MONEY MARKET

RELECTING the continuing uncertainty over a possible rise in Bank rate, the syndicate of discount houses at last Friday's Treasury bill tender lowered its combined bid for the third week running, by 2d. to £98 17s. 4d. The average rate of discount rose by 8.05d. to £4 10s. 8.47d. Total applications rose only slightly, to £391 million, and with only £250 million of the £260 million bills on offer allotted, the discount houses received 50 per cent of their application compared with 55 per cent in the previous week.

Before the week-end Lombard Street was amply supplied with money and on both Thursday and Saturday the authorities sold back bills to absorb the surplus credit. With the clearing banks preparing their half-yearly statements, the market had considerable difficulty in balancing its books early this week but large purchases of bills by the authorities were just sufficient to save houses from borrowing at Bank rate. By Wednesday conditions had eased again and rates had fallen generally by midday to the clearing banks' minimum of $3\frac{1}{2}$ per cent.

In New York the Treasury bill rate fell slightly from 2.325 to 2.219 per cent.

MONEY RATES

L O N D O N			
Bank rate (from	%	Discount rates :	%
5½%, 8/12/60)....	5	Bank bills :	
Deposit rates		60 days	421 32-423 3
(maximum) :		3 months	421 32-423 3
Banks	3	4 months	421 32-423 3
Discount houses...	3-3¼	6 months	421 32-423 3
Money :		Fine trade bills :	
Day-to-Day	3-4¼	3 months	5½-6
		4 months	5½-6
		6 months	5½-6½

NEW YORK			
Official Discount	%	Treasury bills:	%
rate:		June 19.....	2-325
(from 3 1/2% 11/8'60)	3	" 26.....	2-219

LONDON CLOSING EXCHANGE	
Gold	149.10
Sterling	148.10
French	147.10
German	146.10
Italian	145.10
Spanish	144.10
Portuguese	143.10
Belgian	142.10
Dutch	141.10
Swiss	140.10
Austrian	139.10
Japanese	138.10
Chinese	137.10
Indian	136.10
Siamese	135.10
Siam	134.10
Manila	133.10
Cebu	132.10
Batavia	131.10
Sourabaya	130.10
Yokohama	129.10
Kobe	128.10
Osaka	127.10
Tokyo	126.10
Hankow	125.10
Shanghai	124.10
Peking	123.10
Tientsin	122.10
Harbin	121.10
Manchuria	120.10
Amoy	119.10
Swatow	118.10
Shantou	117.10
Quang	116.10
Yunnan	115.10
Szechuan	114.10
Hubei	113.10
Shensi	112.10
Shanxi	111.10
Henan	110.10
Hebei	109.10
Shandong	108.10
Shaanxi	107.10
Shanxi	106.10
Shanxi	105.10
Shanxi	104.10
Shanxi	103.10
Shanxi	102.10
Shanxi	101.10
Shanxi	100.10
Shanxi	99.10
Shanxi	98.10
Shanxi	97.10
Shanxi	96.10
Shanxi	95.10
Shanxi	94.10
Shanxi	93.10
Shanxi	92.10
Shanxi	91.10
Shanxi	90.10
Shanxi	89.10
Shanxi	88.10
Shanxi	87.10
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BANK OF ENGLAND RETURNS

(£ million)	June 29, 1960	June 21, 1961	June 28, 1961
Issue Department*			
Notes in circulation	2,225.4	2,311.4	2,320.9
Notes in banking depts.	24.9	14.0	54.4
Govt. debt and securities*	2,247.5	2,323.5	2,373.5
Other securities	0.7	0.7	0.7
Gold coin and bullion	0.4	0.4	0.4
Coin other than gold coin ..	1.8	0.8	0.8
Banking Department :			
Deposits :			
Public accounts	12.5	12.6	13.0
Special deposits	74.2	153.7	153.7
Bankers	261.1	266.3	275.9
Others	70.9	77.4	77.2
Total	418.7	510.0	519.8
Securities :			
Government	365.6	436.8	397.1
Discounts and advances	26.8	58.6	67.2
Other	18.6	17.9	18.4
Total	411.0	513.3	482.7
Banking department reserve ..	25.9	14.8	55.2
	%	%	%
" Proportion "	6.1	2.8	10.6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on June 29th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million)		Three Months' Bills		
	Offered	Applied for	Average Rate of Allotment	Allotted at Max. Rate*	
1960	91 day				
June 24	290.0	429.1	s. d. %	113	7.40 57
1961					
Mar. 24	250.0	398.3	89	8.46	45
" 30	260.0	418.1	89	8.41	40
Apr. 7	260.0½	473.7	88	8.68	42
" 14	280.0½	414.1	89	7.69	42
" 21	260.0½	411.3	89	9.01	38
" 28	220.0	379.8	88	1.71	67
May 5	240.0	416.2	87	4.27	49
" 12	250.0	445.9	86	5.04	50
" 19	260.0	432.5	80	3.18	33
" 26	270.0	440.2	88	8.74	50
June 2	270.0	419.9	88	9.61	61
" 9	270.0½	463.3	89	9.14	39
" 16	260.0	391.2	90	0.42	55
" 23	260.0½	389.1	90	8.47	50

* On June 23rd tenders for 91 day bills at £98 17s. 4d. secured 50 per cent, higher tenders being allotted in full. The offer for this week was for £250 million of 91 day bills. † Allotment cut by £10 million. § Allotment cut by £30 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits		Market Rates: Spot					
	June 28	June 22	June 23	June 24	June 26	June 27	June 28	
United States \$	2-78-2-82*	2-78 ¹ / ₂ -2 ⁷ / ₈	2-78 ¹ / ₂ -2 ⁷ / ₈	2-78 ¹ / ₂ -2 ⁷ / ₈	2-78 ¹ / ₂ -2 ⁷ / ₈	2-79-79 ¹ / ₂	2-78 ¹ / ₂ -2 ⁷ / ₈	
Canadian \$		2-86-87	2-87 ¹ / ₂ -88	2-87 ¹ / ₂ -88	2-87 ¹ / ₂ -88 ¹ / ₂	2-87 ¹ / ₂ -88	2-87 ¹ / ₂ -88	
French Fr....	13-622-14-027	13-657-66 ¹ / ₂	13-653-66	13-66 ¹ / ₂ -67	13-67-67 ¹ / ₂	13-67-67 ¹ / ₂	13-66 ¹ / ₂ -67	
Swiss Fr....	11-94-12-54 ¹ / ₂	12-02 ¹ / ₂ -03 ¹ / ₂	12-02 ¹ / ₂ -03	12-02 ¹ / ₂ -03	12-04 ¹ / ₂ -05	12-03 ¹ / ₂ -04	12-03 ¹ / ₂ -04	
Belgian Fr....	137-96						139-05	
Dutch Gld....	9-98 ¹ / ₂ -10-28 ¹ / ₂	139-00-05	139-05-10	139-05-10	139-27-32	139-32-37	10-01 ¹ / ₂ -02	
W. Ger. D-Mk.	11-037-11-365	10-01 ¹ / ₂ -02	10-01 ¹ / ₂ -02	10-01 ¹ / ₂ -02	10-02 ¹ / ₂ -03	10-02 ¹ / ₂ -03	10-01 ¹ / ₂ -02	
Portug. Esc.		11-08 ¹ / ₂ -09 ¹ / ₂	11-08 ¹ / ₂ -09	11-08 ¹ / ₂ -09	11-09 ¹ / ₂ -10	11-10-10 ¹ / ₂	10-10 ¹ / ₂ -11	
Italian Lira	1725-1775-2	79-85-95	79-85-80-00	79-80-80-00	80-05-20	80-10-30	80-05-25	
Swedish Kr....	14-27 ¹ / ₂ -14-70	1729 ¹ / ₂ -30 ¹ / ₂	1729 ¹ / ₂ -30 ¹ / ₂	1729 ¹ / ₂ -30 ¹ / ₂	1730 ¹ / ₂ -31 ¹ / ₂	1731-31 ¹ / ₂	1730 ¹ / ₂ -31	
Danish Kr....	19-06 ¹ / ₂ -19-62	14-39 ¹ / ₂ -39 ¹ / ₂	14-39 ¹ / ₂ -39 ¹ / ₂	14-38 ¹ / ₂ -39 ¹ / ₂	14-39 ¹ / ₂ -40	14-39 ¹ / ₂ -40	14-39 ¹ / ₂ -40	
Norwegian Kr.	19-71-20-30 ¹ / ₂	19-32 ¹ / ₂ -33	19-32 ¹ / ₂ -33	19-32 ¹ / ₂ -33	19-32 ¹ / ₂ -33	19-32 ¹ / ₂ -33	19-32 ¹ / ₂ -33	
		19-99 ¹ / ₂ -14	19-99 ¹ / ₂ -8	19-99 ¹ / ₂ -8	19-99 ¹ / ₂ -8	19-99 ¹ / ₂ -20-00 ¹ / ₂	19-99 ¹ / ₂ -20-00 ¹ / ₂	
* Official Limits								
One Month Forward Rates								
United States \$	7 ¹ / ₂ -3c. pm	15 ¹ / ₂ -13 ¹ / ₂ c. pm	15 ¹ / ₂ -13 ¹ / ₂ c. pm	15 ¹ / ₂ -13 ¹ / ₂ c. pm	15 ¹ / ₂ -13 ¹ / ₂ c. pm	1-7c. pm	1-7c. pm	
Canadian \$	1 ¹ / ₂ -8c. pm	1 ¹ / ₂ -8c. pm	1-7c. pm	1-7c. pm	15 ¹ / ₂ -13 ¹ / ₂ c. pm	15 ¹ / ₂ -13 ¹ / ₂ c. pm	15 ¹ / ₂ -13 ¹ / ₂ c. pm	
French Fr....	3 ¹ / ₂ -3c. pm	3 ¹ / ₂ -3c. pm	3 ¹ / ₂ -3c. pm	3 ¹ / ₂ -3c. pm	3 ¹ / ₂ -3 ¹ / ₂ c. pm	4 ¹ / ₂ -3 ¹ / ₂ c. pm	4 ¹ / ₂ -3 ¹ / ₂ c. pm	
Swiss Fr....	5 ¹ / ₂ -4 ¹ / ₂ c. pm	5 ¹ / ₂ -4 ¹ / ₂ c. pm	5 ¹ / ₂ -4 ¹ / ₂ c. pm	5 ¹ / ₂ -4 ¹ / ₂ c. pm	6-5 ¹ / ₂ c. pm	6-5c. pm	4 ¹ / ₂ -4c. pm	
Belgian Fr....	20-15c. pm	20-15c. pm	20-15c. pm	20-15c. pm	20-15c. pm	20-15c. pm	16-15c. pm	
Dutch Gld....	6 ¹ / ₂ -6 ¹ / ₂ c. pm	5 ¹ / ₂ -5c. pm	5 ¹ / ₂ -5c. pm	5 ¹ / ₂ -5c. pm	6-5 ¹ / ₂ c. pm	6 ¹ / ₂ -5 ¹ / ₂ c. pm	6 ¹ / ₂ -5 ¹ / ₂ c. pm	
W. German D-Mk.	6-5 ¹ / ₂ pfl. pm	6-5 ¹ / ₂ pfl. pm	6-5 ¹ / ₂ pfl. pm	6-5 ¹ / ₂ pfl. pm	6 ¹ / ₂ -6 ¹ / ₂ pfl. pm	6 ¹ / ₂ -5 ¹ / ₂ pfl. pm	6 ¹ / ₂ -6 ¹ / ₂ pfl. pm	
Three Months Forward Rates								
United States \$	2 ¹ / ₂ -2c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	
Canadian \$	2 ¹ / ₂ -2c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	2 ¹ / ₂ -2 ¹ / ₂ c. pm	
Swiss Fr....	12 ¹ / ₂ -12 ¹ / ₂ c. pm	14 ¹ / ₂ -13 ¹ / ₂ c. pm	14-13 ¹ / ₂ c. pm	14-13 ¹ / ₂ c. pm	15-14 ¹ / ₂ c. pm	16-15c. pm	16-15c. pm	
W. German D-Mk.	14 ¹ / ₂ -14 ¹ / ₂ pfl. pm	15 ¹ / ₂ -14 ¹ / ₂ pfl. pm	15 ¹ / ₂ -14 ¹ / ₂ pfl. pm	15 ¹ / ₂ -14 ¹ / ₂ pfl. pm	16 ¹ / ₂ -16 ¹ / ₂ pfl. pm	16 ¹ / ₂ -16 ¹ / ₂ pfl. pm	17-16 ¹ / ₂ pfl. pm	
Gold Price at Fixing								
Price (s. d. per fine oz.)	251/61 ¹ / ₂	251/63 ¹ / ₂	...	251/61 ¹ / ₂	251/41 ¹ / ₂	251/41 ¹ / ₂	251/41 ¹ / ₂	
	35-07	35-07		35-07	35-08	35-08	35-08	

UK External Trade

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

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

BRITISH

Prices and Wages.....	June 24th	External Trade	This week
Manpower and Output....	June 17th	Industrial Profits.....	Apr. 29th

OVERSEAS

Western Europe..... June 10th United States..... May 6th

	Unit	Monthly averages			1960			1961				
		1958	1959	1960	Mar.	Apr.	May	Jan.	Feb.	Mar.	Apr.	May
VALUE												
Imports :												
Total	£ million	312.3	332.0	379.9	393.7	373.6	389.8	404.3	353.1	398.9	355.2	394.4
Food, drink and tobacco	"	124.2	126.5	128.8	139.1	129.0	125.0	131.8	117.7	131.7	120.9	132.0
Basic materials	"	74.1	77.6	88.6	86.0	86.0	88.6	95.2	82.9	88.1	82.1	91.6
Fuels	"	36.6	38.9	40.2	43.0	40.2	38.8	48.3	40.2	47.1	40.3	43.2
Manufactures	"	76.1	87.6	120.7	124.4	117.1	136.2	126.8	111.3	130.5	110.7	126.3
Exports of UK produce :												
Total	"	264.7	277.5	296.3	309.3	308.9	318.7	330.1	297.1	309.9	318.6	298.9
Manufactures—Total	"	222.5	234.4	250.1	265.8	265.2	272.4	280.9	253.8	265.7	275.0	257.1
Metals	"	36.0	37.8	39.3	43.1	40.7	42.9	43.1	40.5	39.4	41.6	41.9
Engineering products	"	115.6	122.4	131.0	141.7	145.0	145.3	149.8	132.1	142.9	151.0	137.9
Textiles	"	21.2	20.7	21.8	23.6	21.9	22.5	24.1	21.7	22.2	21.7	20.0
Re-exports	"	11.8	10.9	11.8	13.8	11.5	11.8	12.4	11.2	15.3	12.7	13.6
Balance of trade (exports less imports)	"	-35.8	-43.6	-71.8	-70.6	-53.2	-59.3	-61.8	-44.8	-73.7	-23.9	-81.9
VOLUME (1)												
Imports :	1954=100											
Total	"	114	122	138	136 ³	...	140 ⁴	...	143 ³	...	132	145
Food, drink and tobacco	"	119	118	121	122 ³	...	120 ⁴	...	124 ³	...	...	...
Basic materials	"	94	101	110	107 ³	...	108 ⁴	...	111 ³	...	...	...
Fuels	"	124	143	157	159 ³	...	154 ⁴	...	179 ³	...	...	...
Manufactures	"	132	150	201	194 ³	...	215 ⁴	...	210 ³	...	...	...
Exports :												
Total	"	111	116	122	127 ³	...	124 ⁴	...	128 ³	...	129	122
Manufactures	"	113	117	124	129 ³	...	128 ⁴	...	131 ³	...	...	...
BY AREA												
Imports :	£ million											
USA	"	29.2	30.9	47.2	43.3	41.7	48.2	50.5	38.9	42.9	38.9	39.3
Canada	"	25.7	26.0	31.3	30.0	27.2	34.1	27.0	25.9	28.7	23.5	33.1
Latin America	"	24.6	26.8	26.0	25.2	29.8	29.5	24.9	25.3	30.2	25.5	27.5
West'n Europe—Common Market	"	44.4	46.6	55.2	60.4	54.0	58.2	56.2	52.3	60.5	53.9	59.1
Free Trade Association	"	30.4	32.6	38.7	38.6	34.9	41.6	44.0	37.2	40.2	35.1	40.9
Soviet Eastern Europe	"	8.5	9.7	11.6	9.4	9.5	8.3	13.4	10.7	11.9	10.2	10.9
Other Non-Sterling	"	36.7	39.2	43.6	44.3	46.7	43.4	51.9	50.9	50.4	41.8	46.9
Sterling area	"	112.8	120.2	126.3	142.5	129.8	126.5	136.4	111.9	135.0	126.3	136.7
Exports of UK produce :												
USA	"	22.6	30.0	26.9	31.9	30.3	36.1	21.1	20.7	20.5	19.8	21.5
Canada	"	15.7	17.3	17.8	19.0	19.5	24.0	14.8	17.6	15.7	31.3	22.3

(1) Trade with the Channel Islands is included in all 1958 indices and in the total import and export indices only from 1959 onwards. (2) Retained imports.
(3) Average for first quarter. (4) Average for second quarter.

APPOINTMENTS

COMMONWEALTH OF AUSTRALIA

CAREER OPPORTUNITIES
IN AUSTRALIA FOR
UNIVERSITY GRADUATESApplications are invited for permanent positions of
RESEARCH OFFICER

£A1,290-£A1,620, in the Public Service of the Government of the Commonwealth of Australia. The vacancies exist in the Bureau of Census and Statistics and in the Departments of Trade and Treasury and are located mainly in the National Capital, Canberra. Applications will also be considered for vacancies in other Departments in the fields of Agriculture and Mineral Economics.

QUALIFICATIONS: Degree in Arts, Law, Economics, Commerce or Science (Mathematics).

TYPE OF WORK: Bureau of Census and Statistics
Investigations into the whole range of official, economic and social statistics; sampling design and electronic data processing.

Department of Trade (including Trade Commissioner Service)
Research into international trade relations including commercial and commodity policy; import and export problems and general economic conditions.

Treasury
Research into economic and financial policies including public investment, balance of payments and external economic relations.

CONDITIONS OF APPOINTMENT: First-class fares paid for successful applicants and their families. Salary determined according to qualifications and experience will be paid from the date of embarkation. Advancement prospects are good and a superannuation scheme applies.

APPLICATIONS: Should be made on forms obtained from the Recruitment Officer, Staff Branch, Office of the High Commissioner for Australia, Australia House, Strand, London, W.C.2, and returned by July 24, 1961.

NORTHAMPTON COLLEGE OF
ADVANCED TECHNOLOGY,
LONDON

ST. JOHN STREET, LONDON, E.C.1
Additional lecturing staff will be required in the

DEPARTMENT OF SOCIAL AND
INDUSTRIAL STUDIES

from September, 1961, or as soon as possible thereafter. Candidates for appointment must have a degree or equivalent and experience in the appropriate field of activity. The head of the unit will involve teaching at both undergraduate and postgraduate levels.

(1) SENIOR LECTURER in Liberal Studies, to teach in one of the social sciences and to help in the development and organisation of courses and special lectures.

Salary scale: £1,588 p.a. x £50 to £1,801 p.a.

(2) LECTURER in Communication, to deal generally with problems in social communication and with emphasis on the presentation of technical information, effective speaking and the leading of group discussion.

Salary scale: £1,408 p.a. x £35 to £1,601 p.a. Further particulars and forms of application available from the Secretary of the College, St. John Street, E.C.1.

J. S. TAIT,
B.Sc., Ph.D., M.I.E.E., M.I.Mech.E.,
Principal.

INTERESTING post available in International Reinsurance Company for man, aged up to 35, to be responsible for Information Office and Central Filing of the Company. Knowledge of a language or languages useful. Commencing salary according to ability and qualifications. Five-day week. Non-contributory pension and Group Life schemes available for permanent employees.—Box 1525.

UNIVERSITY OF MELBOURNE
LECTURESHIPS IN ECONOMIC HISTORY

Applications are invited for the following positions in the Department of Economic History:

(1) Lecturer in the Economic History of Europe and (2) in the History of Economic Theory (one Lecturer).

(2) Lecturer in the Economic History of Asian Countries.

The salary will be arranged according to qualifications within the range £A1,660 to £A2,360 per annum.

Superannuation similar to F.S.S.U. in Great Britain will be provided. The appointees will be expected to commence duty as soon as possible in 1962.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

Applications close, in Australia and London, on August 31, 1961.

NEWMAN DEMOGRAPHIC
SURVEY

It is proposed to establish at the London Headquarters of the Survey a special unit to undertake the assessment of Catholic school needs in Local Education Authority areas. Applications are invited from Catholics for the following appointment:

Statistician (in charge). Preference will be given to candidates (men or women) who have recognised qualifications in statistical method, but candidates with experience as Statistician will also be considered. The head of the unit will be responsible to the Director of the Survey for all stages of the work from initial discussions with Diocesan School Commissions and Local Authority Departments of Education to the preparation of final reports. Starting salary in range £750-£1,200 p.a. according to qualifications and experience. For further information please apply to the Director, Newman Demographic Survey, 31 Portman Square, W.1.

BEECHAM GROUP LIMITED

has a vacancy for

MARKET RESEARCH OFFICER in the Consumer Research Division to be responsible for designing surveys and seeing them through to the report stage.

The successful applicant will probably be around 30 years of age. The Group offers exceptional opportunities for promotion in the marketing divisions of the Group Companies. Profit Participation and Non-contributory Pension Schemes are in operation.

Write stating age, qualifications and experience, and quoting reference NRM 133, to the Personnel Director, Beecham Group Limited, Beecham House, Great West Road, Brentford, Middlesex.

UNIVERSITY COLLEGE OF
WALES, ABERYSTWYTH

DEPARTMENT OF ECONOMIC AND
SOCIAL RESEARCH

Applications are invited for posts as Assistant Research Officer or Research Officer in the salary ranges £750 x £50—£1,000; and £1,050 x £50—£1,400 respectively. Candidates must have a good honours degree in economics. Knowledge of statistics and/or accounting an advantage. Applications, together with the names of two referees, should be sent by July 15th to the Registrar, from whom further particulars and forms of application may be obtained.



THE BRITISH OIL AND CAKE MILLS LTD.

AGRICULTURAL ECONOMIST

BOCM Ltd. have a vacancy for an Agricultural Economist in their Agricultural Economics Section at Head Office.

Applicants should have a University degree in Economics and should have practical farming experience and suitable post-graduate qualifications. They should also have experience in the application of Farm Business analysis. Duties would include administrative and field work. Starting salary £1,500-£1,750 according to age and experience.

Applications to: Economic Adviser,
BRITISH OIL & CAKE MILLS,
Unilever House, Blackfriars, London, E.C.4.

CENTRAL OFFICE OF INFORMATION requires an **INFORMATION OFFICER** (unestablished) to take part in the work of a Unit providing a reference information service on Commonwealth (including Colonial) affairs. A university degree, a knowledge of relevant sources of information, and experience in writing factual reports, articles or lectures, are desirable qualifications. Applicants should be prepared to supply examples of written work if required. Salary £1,282—£1,490.—Write, giving age, full details of experience and qualifications, to Manager (PE-2255), Ministry of Labour, Professional & Executive Register, Atlantic House, Farrington Street, London, E.C.4.

THE UNIVERSITY OF
MANCHESTER

Applications are invited for the post of **LECTURER IN INDUSTRIAL RELATIONS** in the Faculty of Economic and Social Studies. Salary on a scale £1,050 to £1,850 per annum, initial salary according to qualifications and experience. Membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than July 15, 1961, to the Registrar, the University, Manchester, 13, Terrace, Newcastle upon Tyne, 2, with whom 12 copies of applications should be lodged not later than July 15, 1961, in envelopes marked "Private, A.A.O." (Candidates outside the British Isles may submit one copy only.)

STATISTICAL RESEARCH ASSISTANT required by Nuffield College, Oxford. Degree in Mathematics, Statistics or Economics necessary. Salary within range £600-£850 p.a. according to experience.—Apply Mr. I. M. D. Little.

UNIVERSITY OF DURHAM. Applications are invited for the post of **ASSISTANT APPOINTMENTS OFFICER.** The person appointed will be chiefly concerned with students and graduates in Arts and commerce subjects. Possession of a degree and experience of work in a field or fields in which Arts graduates are commonly employed are both essential. Teaching experience would be useful. The starting salary will be within the range £1,050—£1,550 (on the scale £1,050 x £50—£1,400 x £75—£1,550 (bar) x £75—£1,850), together with membership of the F.S.S.U. and Family Allowance. The appointment will date from September 1, 1961, or such later date as may be arranged.—Further particulars of the post may be obtained from the Appointments Officer, 10 Kensington Terrace, Newcastle upon Tyne, 2, with whom 12 copies of applications should be lodged not later than July 15, 1961, in envelopes marked "Private, A.A.O." (Candidates outside the British Isles may submit one copy only.)

REED PAPER GROUP

ECONOMIC RESEARCH
AND INTELLIGENCE

The Reed Paper Group, which has extensive interests in paper production and packaging, in the U.K. and overseas, invites applications for new appointments at various levels in its Economic Research Unit. These will offer considerable scope for original thought and initiative. The work includes:—

(i) the abstracting and analysis of economic intelligence;
(ii) the evaluation of broad economic data;
(iii) the assessment of short and long term market prospects and raw material trends;

(iv) the analysis of new projects;
(v) the study of developments in international trade of importance to the Group's interests.

Applicants should have a first or second class honours degree in Economics or related subjects, although for one position a sound knowledge of European languages is of greater importance. Appropriate research experience is desirable, but applications will also be considered from candidates graduating this year.

Applications, which will be treated in strict confidence, should set out full details of qualifications and experience, and should be addressed to:—

The Group Personnel Officer, Albert E. Reed & Co., Ltd.
Larkfield, Nr. Maidstone, Kent,
quoting reference ERI/ESA/20.



STATISTICIAN

to take a leading part in the development and application of Operational Research techniques and to act as a statistical consultant. Applications, stating qualifications and previous experience, to:—

The Manager, Systems Dept.,
A.E.I. Lamp and Lighting Co. Ltd.,
Melton Road, Leicester.

IMPERIAL CHEMICAL INDUSTRIES
LIMITED

Plastics Division,
has a vacancy at its Headquarters in
Welwyn Garden City for a

CHARTERED ACCOUNTANT

aged 25 to 30, to join the Organisation and Methods Section. The duties comprise the critical analysis of commercial methods and techniques including specific surveys into departmental organisation and procedures. The man selected should be adaptable and have the ability to express himself clearly and logically.

Conditions of employment include a 37½-hour, five-day week, a Pension Fund and a Profit Sharing Scheme and for married men assistance is given towards removal expenses. Apply briefly to the Staff Manager, Imperial Chemical Industries Limited, Plastics Division, Bessemer Road, Welwyn Garden City, Herts, quoting No. 5125/B1.

STATISTICIAN

LONDON TRANSPORT require a qualified **STATISTICIAN** for Post in Statistical Advisory Service. Responsibilities of the service include advice to departments on the application of modern statistical methods, including statistical design of experiments, collaboration in operational research projects and design and conduct of surveys. The Advisory Service undertakes the analysis, tabulation and interpretation of the results of investigations.

Applicants must possess a First or Upper Second Class Honours Degree in Statistics and have had practical experience of the application of statistical methods. Salary range: £1,140 p.a. to £1,320 p.a. Valuable free travel. Five-day week. Contributory superannuation. Applications to Staff and Welfare Officer, London Transport, 55 Broadway, S.W.1, quoting reference No. 143/3.

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MIDDLE EAST

Price Waterhouse Peat & Co. require a qualified accountant, preferably single, for appointment to the staff of their office in Addis Ababa. The climate in Addis Ababa is good and the initial tour will be for two years, the last two months of which will be on paid leave in the United Kingdom. Commencing salary after payment of taxation will be in excess of £2,000 per annum. Travelling expenses from and to the United Kingdom at the end of contract will be paid by the firm. Applications should be sent to Price Waterhouse & Co., 3 Frederick's Place, Old Jewry, London, E.C.2.

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CORPORATION

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as part of a team providing an advisory service for the Corporation as a whole. Duties involve the application of the whole range of research, mathematical and statistical techniques. Qualifications should include a good degree in the Sciences or in Economics, backed up, if possible, with some research experience and/or familiarity with computer programming. Salary in the range of £1,048 p.a. to £1,236 p.a. Contributory Pension Scheme. Opportunity for travel.

Applications, giving details of background and experience, to:

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COUNTY COUNCIL

COUNTY PLANNING AND
DEVELOPMENT DEPARTMENT

Applications are invited for the appointment in the Research and Industry Section of the County Planning and Development Department of a Planning Assistant on A.P.T. Grade III (£960-£1,140 per annum) or A.P.T. Grade IV (£1,140-£1,310 per annum). The commencing salary and grading will depend on qualifications and experience.

Applicants should have an Honours Degree in either Geography, Economics or Geology, and have had experience in research in any of the subjects with a Local Authority, a Government Department or a Research Institution. The work will be concerned with mineral and economic problems connected with the survey for and the implementation of the development plan.

The Council are prepared to grant lodging allowance of 35s. per week for a period of six months and second class railway travel home every two months during the initial six months to married applicants maintaining a home outside the geographical county. Consideration will also be given to the granting of financial assistance in appropriate cases towards removal expenses.

Applications, giving details of age, education, qualifications, present and previous appointments, experience, and the names of two persons to whom reference may be made, should be sent to D. W. Riley, County Planning and Development Officer, 41a Eastgate Street, Stafford, not later than July 12, 1961.

Relationship to any member or senior officer of the County Council must be disclosed. Canvassing will be disqualifying.

T. J. EVANS,
Clerk of the County Council.

For other appointments
see page 86

INDUSTRIAL RELATIONS

OVERSEAS APPOINTMENT—
GHANA

Applications are invited for an Industrial Relations Adviser in Ghana for two tours of 18 months in first instance. Sound knowledge of labour relations with particular emphasis on overseas conditions essential including ability to collate details of National Agreements, to advise in meetings of Negotiating Committees and on Labour/Legal questions, and to attend meetings of National Advisory Committee on Labour as one of Employer Delegates. Applicant to act in liaison with T.U.C. of Ghana and be responsible to Director of Association for all Industrial Relations matters.

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Overseas leave after 18 months, free furnished house, car and medical attention.

Only applicants with appropriate qualifications will be considered. Applications (in duplicate), giving full particulars of age, education, qualifications and experience, should be sent to the Secretary of Ghana Employers' Association, C/o The Director, Overseas Employers' Federation, 58 Clifford's Inn, London, E.C.4. Closing date for applications, July 15, 1961.

GOVERNMENT OF THE
FEDERATION OF
RHODESIA AND NYASALAND

VACANCIES:
CENTRAL STATISTICAL OFFICE

Applications are invited from persons holding a University degree with first or second class honours (or the equivalent qualifications) in Statistics, or in Economics with Statistics, or in Mathematics with Statistics for the following posts:

(i) **Permanent and Pensionable Establishment**
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GRADE II

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Women: £1,483 10s. x £70—£1,553 10s. —£1,623 10s. p.a.

Applicants must have had several years' experience, including some in a position of responsibility.

(ii) **Appointments on Contracts**

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THREE-YEAR CONTRACTS

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Men: £1,500 p.a.
Women: £1,150 p.a.

(b) Others:
Men: £1,150 p.a.
Women: £903 p.a.

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U.K.: Application forms and further details from the Secretary, Rhodesia House, 429 Strand, London, W.C.2.

Overseas: Director of Census and Statistics, P.O. Box 8063, Causeway, Salisbury, Rhodesia and Nyasaland.

Closing date, July 25, 1961.

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DIRECTORS NEED NOT ENVY associates' better secretaries: they were probably recruited through **STELLA FISHER BUREAU** in the Strand.

THE Common Market—Keep Britain Out. Tickets for an initial meeting, Monday, July 10th, at Beaver Hall, London, E.C.2, at 5.45 p.m., can be obtained from S. W. Alexander, City Press Newspaper, 80a Coleman Street, London, E.C.2.

THE Purchasing Officers Association maintains an Appointments Register, and employers requiring the services of purchasing staff are invited to communicate with the Association at Wardrobe Court, 140a Queen Victoria Street, London, E.C.4. (City 384.)

ASHANTI GOLDFIELDS
CORPORATION LIMITED

Notice is hereby given that the Board of Directors have declared an Interim Dividend (No. 129) on the Issued Capital of the Corporation at the rate of 1s. 6d. per Share. Income Tax at 7s. 9d. in the £. This Dividend, which is in respect of the year ending September 30, 1961, to be payable on and after September 13, 1961, to all Shareholders on the Registers on July 28, 1961.

The **TRANSFER BOOKS** will be closed from July 29, 1961, to August 5, 1961, both dates inclusive, for the preparation of Dividend Lists.

E. W. MORGAN, Secretary.

Registered Address:
10 Old Jewry, London, E.C.2.
June 27, 1961.

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1. October 30 to November 24, 1961—three places remaining.

2. January 8 to February 2, 1962.

3. April 30 to May 25, 1962.

Applications are invited.

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Courses for the new Diploma will be available from September, 1961, for suitably qualified persons. They will be of either two or three weeks full-time per term over two or three years.

From January, 1962, courses of two months full-time per year for three years, interspersed with guided week end reading, will be offered. Applications from firms sponsoring employees or from individuals are invited.

Details from:

H. A. Nobes,
Head of Regional Management Studies

Department,

Portsmouth College of Technology,

Anglesea Road, Portsmouth.

SECRETARIAL TRAINING, especially for university graduates and older students, six-month and intensive 14-week courses.—Write Organising Secretary, Davies's, 158 Holland Park Avenue, W.11. PARK 4654.

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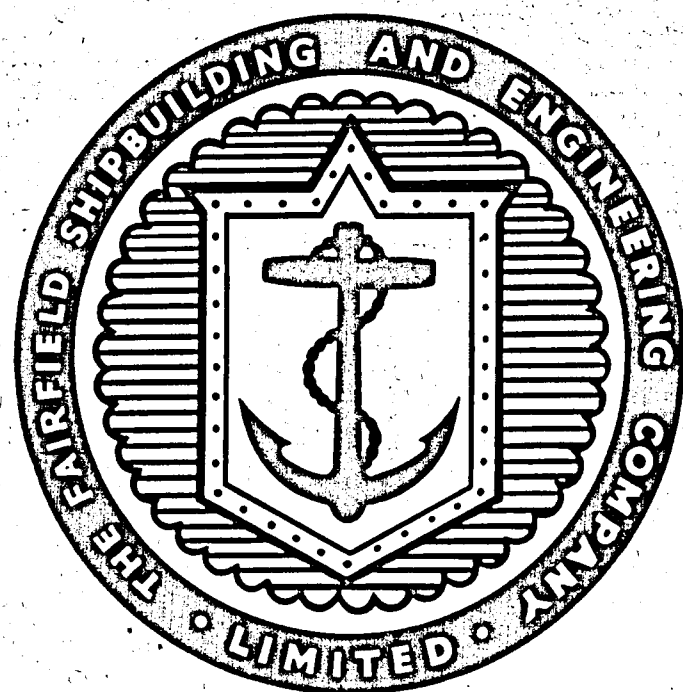
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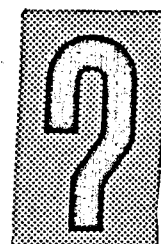
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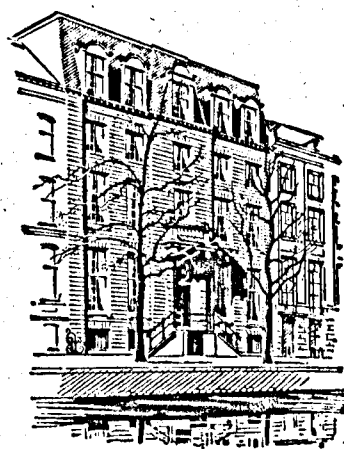
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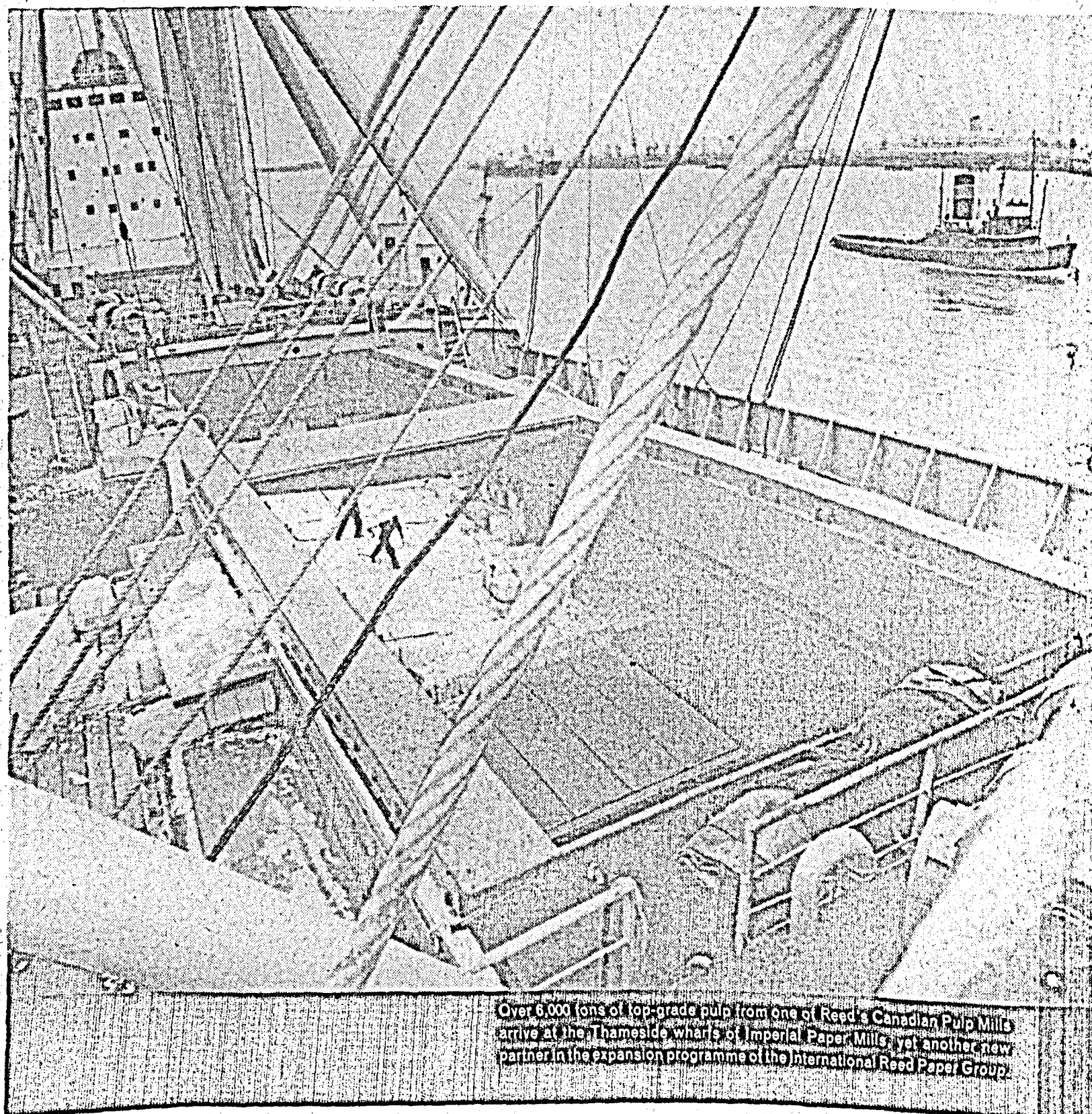
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Reed Paper Group's growth into world markets

Now the Thames



Over 6,000 tons of top-grade pulp from one of Reed's Canadian Pulp Mills arrive at the Thameside wharfs of Imperial Paper Mills, yet another new partner in the expansion programme of the International Reed Paper Group.

THE WORLD OVER

flows 30,000 miles—

bearing technical, research and production experience from the Reed Paper Group's headquarters to its new colleagues throughout the world.

1960—A MOMENTOUS YEAR IN THE HISTORY OF THE GROUP says Chairman Lord Cornwallis

The emergence of the Group into a significant international enterprise is the theme of the Chairman's statement. Overseas investments now approach £30 million, and the annual turnover exceeds £100 million.

Lord Cornwallis stresses, however, the paramount importance of the home mills and companies. "The Group is seeking means of further diversification in this country."

Here are some of the main points summarising the recent developments.

AT HOME...

The Group has broken new ground by joining with Lantor Ltd. (a member of the Tootal Textile Group) to form a new company, Aerlan Ltd., to conduct research into new methods of manufacturing non-woven materials.

Reed Medway Sacks Ltd. is one of the largest companies in the world making multi-wall paper sacks and new uses are continually being found for these versatile containers: the latest is the disposable 'paper dustbin'.

In order to participate in the fast expanding field of plastic containers, the Group has formed a new company, Reed Plastic Packaging Ltd.

The second machine for the production of the Group's high quality coated printing paper, Aerocote, has been brought into production.

At Aylesford, the largest site in Europe for the production of paper and paper products, the Group is currently investing £500,000 in a new research centre.

AND ABROAD...

Four major expansion projects have established the Group in the main trading areas of the free world—the Dollar Market, the Commonwealth, the European Free Trade Area and the Common Market.

IN CANADA, one of the major producers of newsprint, pulp and board, Anglo-Canadian Pulp and Paper Mills Ltd., its subsidiaries and the important Gulf Pulp and Paper Co., have joined the Group to serve the huge U.S.A. market and the fast-expanding Latin American markets.

IN AUSTRALIA, the Group now owns a controlling interest in a £2 million packaging concern—Reed Paper Products Pty. Ltd. It will serve a market that is expected to increase by 50% within 10 years.

IN THE EUROPEAN FREE TRADE AREA, in partnership with Sande Tresliperi A/S, the Group is building a £2½ million pulp and paper mill in Norway. A holding company, Reed Holding A.G., has been formed in Switzerland.

IN THE COMMON MARKET, the Group, in partnership with La Centrale Finanziaria Generale SpA of Milan, has acquired a leading packaging company and is now building a carton board mill.

La Centrale is a very old-established, large and influential company, bringing to the joint operation a background of financial and economic expertise considered by the Group to be unrivalled in Italy.

ON THE FUTURE...

Lord Cornwallis says: "I have no hesitation whatsoever in stating my opinion that the long term prospects of the Group are excellent: we are building for the future and I see no reason why it should not be a successful and profitable one. I cannot,

however, be so optimistic about our short term prospects. We have serious factors to contend with, factors [such as EFTA] which are not the normal hazards of buying and selling and are outside our control. We are sure, however, that our efforts to diversify our activities in this country and all over the world will help us to survive the strains of the short term and emerge into the greater benefits of the long."

TRADING RESULTS

	Years to 31st March	
	1961	1960
	£000	£000
Turnover	87,668	73,996
Profits before Depreciation and Taxation	9,103	6,957
Depreciation	2,513	1,804
Taxation	2,800	1,860
Minority Interests	104	—
Profits attributable to Albert E. Reed & Co. Ltd.	3,686	3,293
Dividends after deduction of Income Tax	1,981	1,636
Profits retained	1,705	1,657

For a copy of the Reed Paper Group's complete Annual Report and "Reed in the World," an illustrated account of the Group's interests throughout the world, please write to:— Reed Paper Group, Group Publicity Department, Blackfriars House, New Bridge Street, London, E.C.4.

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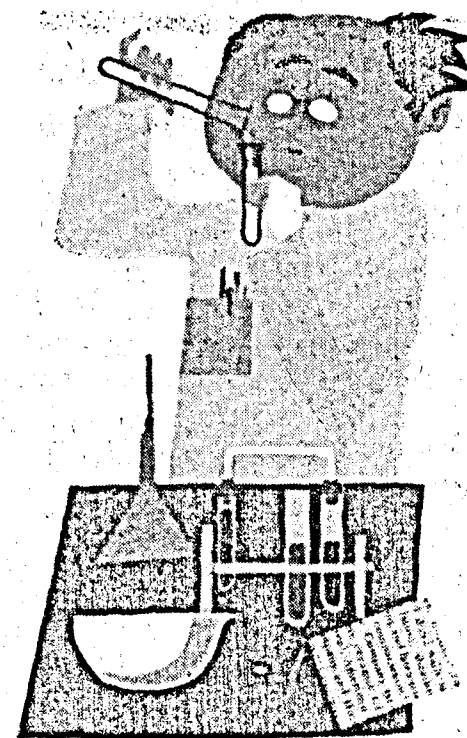
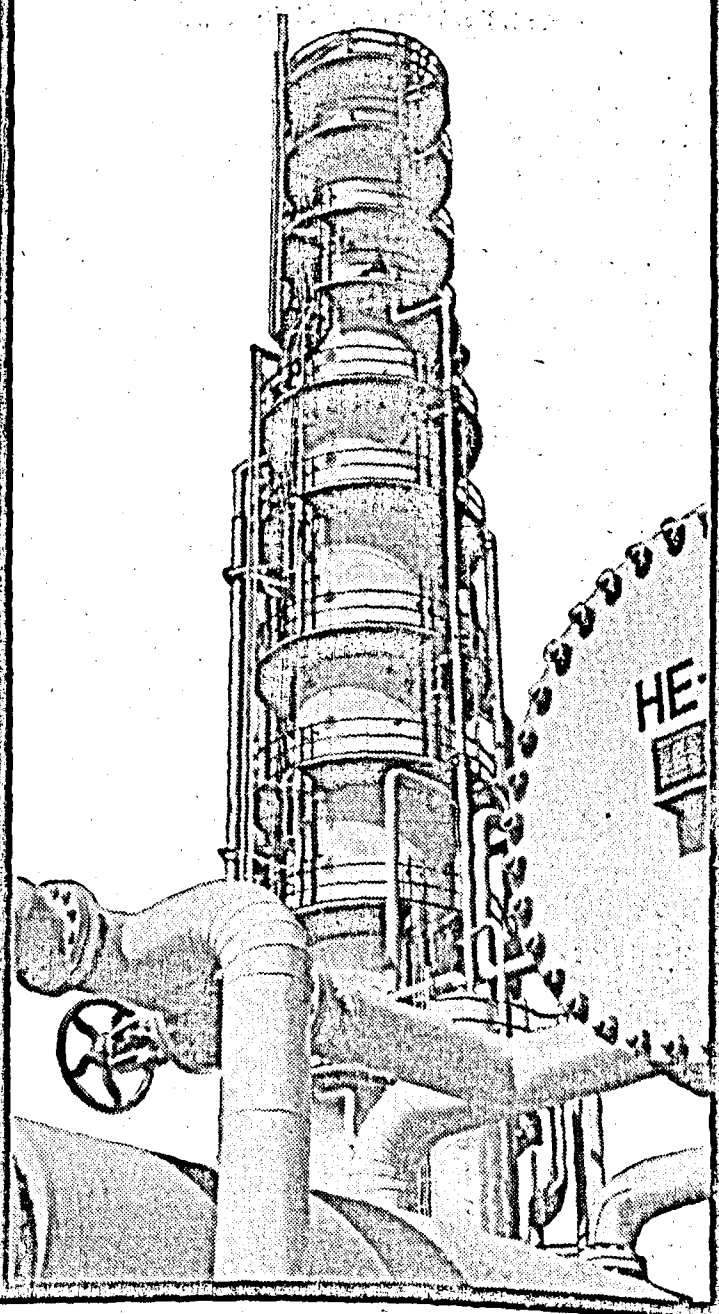
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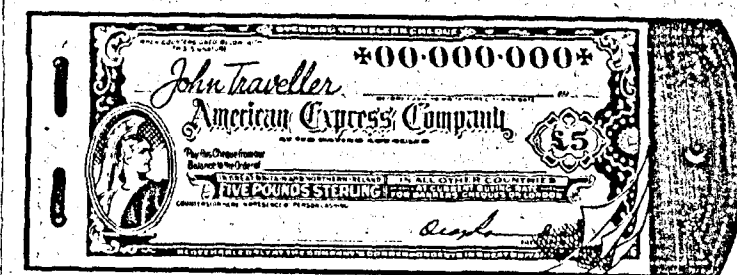
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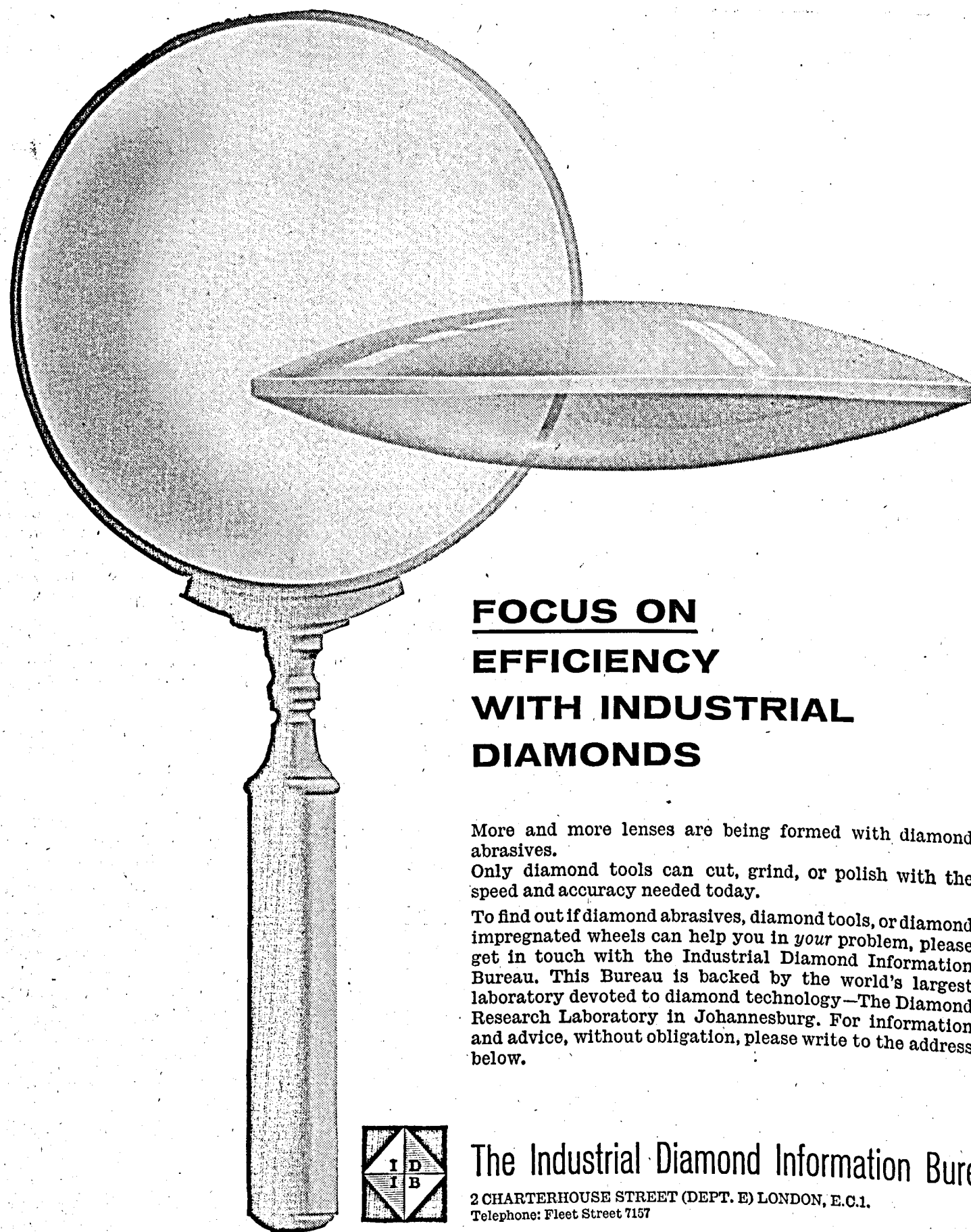


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The Industrial Diamond Information Bureau

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Telephone: Fleet Street 7157

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VOLUME CC NUMBER 6150

Flags in a Sandstorm

BLOWING some familiar allegiances awry, the latest sandstorm in the Middle East has swirled a British task force and a company of Saudi paratroopers into the heat of the Kuwaiti desert. The crisis, generated by Iraq's brusque and rude claim to Kuwait, does not lend itself easily to the kind of black and white treatment that depicts villain and hero neatly in allotted parts. When the sands once more lie still, the contenders will have to look to their next move, if—as now seems likely—the threatened clash does not come. Their way out of the sandpit into which they have dug themselves will be vastly more complicated than their way in.

Britain's response to Sheikh Abdullah al-Salim al-Sabah's urgent summons was quick, decisive and diplomatically impeccable. It can also be argued that it was precipitate. On Monday, Mr Macmillan acknowledged to the House of Commons that it was a difficult decision to take. But the risk of holding out in order to try to determine whether or not General Qasim was bluffing had to be weighed against the enormously increased difficulties of trying to dislodge the Iraqis from Kuwait had it turned out that he was not bluffing. It now seems probable, as our Middle East correspondent suggests on page 128, that General Qasim was flying a kite when he crudely announced his claim on June 25th. At the Security Council on Sunday, and again on Wednesday, the Iraqis disclaimed the intention they had previously plainly implied of using force to back their "rights." The reports of Iraqi troop movements in the direction of the Kuwaiti frontier remain no more than reports. Yet, clearly, preparations were under way that would have enabled the permanent Iraqi garrison at Basra to shift itself swiftly into Kuwait; and the threatening words had been deliberately spoken.

To have banked on General Qasim's eventual prudence would have been worth while only if the political cards had been heavily stacked in favour of hesitation in face of his threat. But there was no division of opinion inside Kuwait itself over the Iraqi claim (as there might possibly have been if the United Arab Republic had had the same idea first); the pledged British troops were assured of unofficial as well as official welcome. The half-reflex dismay with which other Arab governments greeted the fact of the British initiative was bound, at least at first, to have its edge blurred by their evident relief at having the burden of decision, when they were certainly not on Iraq's side in its challenge, taken off their shoulders. For the British themselves, this time only doing their diplomatic duty, the impressive speed and efficiency of a very complex military operation has given the three services a chance to demonstrate the paces that have been learnt since the *longueurs* of 1956. And Mr Macmillan must have counted, too, on the warm glow that the whole operation has sent through cooling right-wing hearts (and, perhaps, others too).

The problem now, as put by Mr Richmond, the British consul-general in Kuwait, is to turn round and go out as efficiently as we came in—as soon as we can. Mr Macmillan has said that our forces will be withdrawn only when Kuwait's ruler considers that its independence is no longer threatened; this could mean only when, which is extremely unlikely, Iraq renounces its claim to Kuwait. This is, basically, a problem for the Arabs themselves to solve both in terms of frontiers and sovereignty and in terms of wealth and oil. In 1958, after the Iraqi revolution and the British and American landings in Lebanon and Jordan,

all ways out of the tangle seemed even more solidly blocked than they seem now. It was only after the United Nations had fruitlessly explored a number of one-way avenues that the Arabs, as if exasperated by all outside interference, made temporary peace among themselves—and the obstacles went overnight.

PERHAPS the makings of a concerted Arab move are now discernible, in the fact that both Baghdad and Cairo have found common ground in regretting the depth and deviousness of the perfidy of Albion. While President Nasser has kept to the letter of the law in raising no objection to the passage of British warships through the Suez canal, his spokesmen in Cairo and at the United Nations have demanded the immediate withdrawal of British troops. Unless the British force is evacuated, the UAR will not back Kuwait's entry into the United Nations, nor, probably, its application to join the Arab League. This is the crux: who, the invading British or the wavering Arab states, will resolve Iraq's original threat? The challenge is as much to the members of the Arab League as it is to the sweaty and entrenched British troops.

Almost certainly, the portentous launching by Israel of its first space missile has galvanised, and affrighted, the Arabs at least as much as the quick response by Britain to an open threat to both its interests and its obligations. It reinforces the fears that have been going round the Middle East since Mr Ben-Gurion returned from his grand tour with the French alliance spelt out in words. The Kuwait-Iraq quarrel, contentious already among fellow Arabs, may have to take second place now. The further it sinks into the background, the better. The hope can only be that, still unsolved, it can be smudged and put among all the other claims that have been made at different times by different countries on the various territories of the Persian Gulf.

While the threat itself, from Iraq to Kuwait, only slowly recedes, the British forces in Kuwait will either have to settle down to a long wait, or be replaced by another defensive force. A long stay will be as undesirable for the British as for all the Arabs. At the best, with every extra day that the troops remain dug in in the desert, Britain is bound to lose ground in the uphill struggle that the Foreign Office has strenuously been making to get back to reasonably good relations with Iraq and the UAR. At the worst, a change in Kuwait's internal political situation might find British troops calamitously involved in local Arab affairs. But, as things are, despite the token force of Saudi paratroopers deployed alongside the British, it seems altogether improbable that replacements for the British defence force can be found from among the Arab countries. (Nor might the ruler himself entirely relish the thought of powerful, and possibly predatory, help from Saudi Arabia or the United Arab Republic.)

Except for the United Arab Republic and Saudi Arabia, which are not at all disinterested in claims on Kuwait, most of the Arab governments have been chiefly concerned to avoid committing themselves. The Arab League itself, which met on Tuesday to consider Kuwait's application for membership, adjourned until July 12th, explaining that the secretary-general, Mr Hassouna, had first to complete his joyless mission round the Arab capitals. This procrastination is not without wisdom; possibly, the most disastrous outcome of the affair would be a weakened and isolated Iraq.

Whether or not, in the present heart-searching among the various Arab countries, Kuwait is accepted into the league, the only feasible alternative to the British troops seems to be some kind of United Nations group to watch Kuwait's frontiers and the dying spasms of what was nearly a world crisis. Here there are two questions. The first straightly affects the Russians: would the Soviet Union veto Kuwait's application to join the United Nations? The second is whether the British Government itself would be prepared to delegate some of its remaining authority in the Persian Gulf.

This sudden rupture in the Arab world was not, at first, to Russia's obvious advantage. Over the past few years, the Russians have usually, without great strain, been able to distil some punch for themselves out of Arab discords. But recently the Soviet Union has been having second (and conflicting) thoughts about its pot-still in the Middle East. After a period of general but fairly restrained sniping at the United Arab Republic's treatment of its local communists, *Pravda* came out in May with a full-blooded protest at Egyptian ingratitude for favours received. Cairo retorted with a burst of righteous indignation; and in June a second article in *Pravda* tried to turn off the heat with words that combined a fatherly reproach with a modified blessing. Meanwhile, General Qasim, in Iraq, has by rule and division equally effectively brought his communists to heel.

UNDERSTANDABLY, Moscow's comments on the Iraq-Kuwait dispute were, to begin with, non-committal. Only on July 2nd did the Russian delegate at the United Nations, Mr Zorin, swing decisively to the Iraqi side, by refusing to allow that the "Kuwait area" was entitled to present its case before the Security Council. By then, the positive British reaction had greatly simplified Mr Zorin's ideological task and at Wednesday's meeting of the Security Council he concentrated his fire on British "colonialism." With some dexterity the Soviet Union seems to be emerging from the imbroglio as the champion both of Iraq and the UAR. Peking, meanwhile, has got somewhat out of step by sending a hasty telegram of congratulation to the ruler of Kuwait on the occasion of his country's independence.

But for the time being, the main initiative outside the Arab world rests with Britain, not with Russia—or Peking. The task, now that the British have discharged their responsibility, is to hand the responsibility back, not to the Russians (or the Chinese) but to the Arabs. If the Iraqis, after the brain-storm in Baghdad, have been halted in their tracks, the responsibility for guarding Kuwait's independence should rest from now on upon the collective shoulders of the neighbouring, and competing, Arabs themselves. Now that Iraq has been brought to stay its hand, after its threatening words, even an international and token force of observers could be deterrent enough in place of the swiftly emplaced and embattled British troops. The other sheikhdoms of the Persian Gulf might, with Kuwait, begin to think in terms of international rather than purely British protection. They will have to think, also, if there is to be peace in their part of the world, of co-operation not only in defence against aggression but also in the distribution of local wealth (from oil) to fuel the growth out of poverty that is the Middle East's greatest need. These should be Britain's aims, too.

Laisser Faire For Trade Unions?

DISCUSSION of reform of trade union law is, once again, in the air. The danger is that, once again, it may stay there. It is terribly difficult to energise this vast jelly of a subject into relevant parliamentary action, partly because of old-fashioned political pusillanimity but also partly because the trade unions still hold the favoured place in the instincts of progressive people that thrusting new industrial manufacturers tended to hold a century ago. Because they played the major part in raising the standard of living of the ordinary people of this country during the second stage of Britain's industrial revolution, it has become an established historical malapertism that trade unions should continue to be the last group towards which Government policy is one of untrammelled and uninquiring *laissez faire*. This week Mr Ted Hill, chairman of the Trades Union Congress, who in all other matters would call himself an ardent advocate of a planned economy, saw no inconsistency in thundering loudly that "what we have to do as a trade union movement is not to allow people from outside to tell us what to do."

One does not need to be as extreme a planner as Mr Hill—indeed, one does not really have to advance beyond about Mr Gladstone—to see that this extreme doctrine of *laissez faire* should no longer be tenable. The trade unions now play an even bigger part in public affairs than large manufacturing interests do; and the effect that a union can wreak on an ordinary worker's life is generally much more intimate and important than, say, the effect that a board of directors can wreak on an investor's shareholding. It must be time to go at least as far in legislation as the measures of company reform went in the second half of the last century. It is no more reactionary to say that the interests of ordinary trade unionists, as well as of the country, would be well served by specific legislation to protect members from depredations by occasional union sharks, than it is to say that the interests of shareholders, as well as of the country, are well served by the existence of specific Companies Acts to guard against occasional company sharks (even although all company directors are, in theory, democratically elected by the small minority of their shareholders who ever bother to vote). And it is no more logical to say that handling of trade union malefactors "is best left to the Trades Union Congress" than it would be to say that policing of the Companies Acts and Restrictive Trade Practices Act "had best be left to the Federation of British Industries."

IT is perhaps unfortunate that the catalyst which has restarted discussion has been the case of the Electrical Trades Union; Mr Justice Winn's judgment that the communist Mr Haxell was declared elected as its general secretary by fraud is subject to appeal, and the details of the case have still to be treated as *sub judice*. The ETU affair was, in any event, exceptional because the skulduggery alleged was said to have taken place in the national executive of a union which had been elected by secret ballot. There is ground for fearing that malpractices occur in some other unions' national ballots, but the communists and others who are sometimes stigmatised as "industrial wreckers" cannot be blamed for these, because

communist majorities generally have no chance of getting in on them. The reason why they do not is clear. In parliamentary elections, where all parties put up candidates, experience suggests that about 3 per cent of ordinary British trade unionists are apt to vote Communist, and the other 97 per cent to vote Labour, Conservative or Liberal. In union elections the same 3 per cent generally vote Communist, and about 90 per cent do not vote at all, but there are generally enough votes still left over to make it very rare for a majority of an elected national executive to be composed of men who hold Mr Haxell's political and industrial views.

It is in local factory groups, at shop steward level, that it is much more common to find a majority of men of Mr Haxell's views entrenched in power, and to hear accusations levelled against them of the sort that were levelled against Mr Haxell. The presence of so many unrepresentative extremists in shop stewardships is traditionally explained by saying that these extremists are "close to the rank and file"; but everybody knows that another explanation is that on a local level there is sometimes more opportunity for malpractice and flouting of democracy. The difficulty of raising a campaign against an entrenched union leadership even on a national level was shown in the Electrical Trades Union case. The hardest step of all was the initial one, taken by some individual members who raised the first hue and cry, and who thereby became liable to all sorts of pressures and possible penalties for "bringing the union into disrepute." Any worker who started to work really actively against what he stigmatises as malpractices on a local level must have even more reason to fear that life might be made artificially uncomfortable for him, and that eventually he might even lose his job.

THE big unions are well aware that it is at local level that the worst instances of union malpractice and derogation from the national interest occur. That is why, in their current campaign against wildcat strikes, they are trying to give more power to decisions at the centre. But, in the first place, it is unlikely that this campaign is going to succeed; and, in the second place, it would in many ways be undesirable if it did succeed. In any healthy trade union movement a lot of functions should be, indeed must be, delegated to local union representatives, freely elected by their workmates, and working still on the factory floor. Many of the unions' (and Britain's) troubles today arise from the fact that union executives, having failed to see that these factory elections are properly conducted, like to pretend that these local groups should have less power than they are in fact bound to accumulate. The next stage is that, when these local groups have secured power, the union leaders in London prefer to pretend that they have not got it, and will not look down into the nasty things that are sometimes going on in the local woodshed.

It is at local level, for example, that work-spreading rules forbidding anybody to earn more than a certain amount become most common. It is there that most cases arise of individuals being deprived of their livelihoods because they have offended the local group in some way. It is there that

competition in obstructiveness, sending men to Coventry, individual intimidation and the general translation of trade unions into being a positively anti-productive force can rise to a peak. It is beside the point to argue whether these abuses are now common or still very rare. The point is that some of these powers of personal victimisation against individuals should not be exercisable in any free society, even when the men who are exercising them have been chosen by a majority of their workmates; and that when the stewards or other officers concerned in fact hold their positions against what would be the majority's wishes in a free election, the absence of some sort of Companies Act for trade unions stand revealed as even more intolerable and absurd.

THERE seems to be no hope of securing co-operation from trade union leaders in the legislative changes that are needed. In protesting on Monday against the analogy of the Companies Acts, even Mr George Woodcock, the normally sensible and well-balanced general secretary of the Trades Union Congress, said that, while specific legislation was appropriate for companies, who employ professionals, it would be unfair to apply the same medicine to trade unions, who rely largely on the services of voluntary workers. At first sight, this is a remarkable argument; where bodies have such great social powers as trade unions have, one would have thought that an admitted amateurishness in their organisation provided a reason for a closer guard by the state against possible injustices, not a reason against it. Mr Woodcock's argument would, indeed, have some force if the main object of any new trade union legislation were to hunt down amateur officials who had made honest mistakes, and then suddenly to crucify them by imposing heavy personal penalties. But the prime object of any legislation should be the prevention of abuse not the punishment for it; the authority implementing such legislation should work in the first instance by issuing cease and desist orders, not by starting prosecutions.

The sort of legislation that would seem desirable has often been adumbrated in *The Economist*. All unions should be obliged to register their rules with some official arbiter, who might or might not be the present Chief Registrar of Friendly Societies; the sanction to enforce registration should be that any union which did not register, or which was struck off, should no longer be protected by the main special legal privileges enjoyed by trade unions—especially their general freedom from legal penalties for actions in restraint of trade. When a union does not try to operate a closed shop, the registrar might be obliged to accept virtually any rules that it registers with him; any purely voluntary body should be allowed to conduct itself as and how it likes. But when a union does try to operate a closed shop, so that some British citizen may have to agree to be conscripted into it if he is to earn his livelihood, the registrar should be able to insist on certain conditions in its registered rules: about the proper mode of conduct for union elections; the power for the registrar himself to supervise any elections where suspicions have been aroused; absolute freedom for members to criticise the conduct of their own unions (within the normal law of libel) and to issue statements to their fellow members and the press; and formal rules for the procedure to be followed when members are disciplined for trade union offences. This last

point can be so important for the maintenance of individual liberty that perhaps there ought even to be a right of appeal to the registrar against expulsion from a closed shop union; the proper criterion here should be that expulsion would not take place if, on balance, the injury to the member concerned seemed to be very much greater than the collective injury to his fellows that would be caused by continuing to accept him as a workmate.

The registrar ought also to have the power to conduct inquiries into allegations of intimidation, into picketing practices during some strikes, and alleged breaches of these rules. He should issue cease and desist orders when he discovers that breaches have occurred, and take action in the courts either against a union (seeking to strike it off the register) or against an individual official only when these orders have been deliberately flouted. This procedure could also have relevance to the complicated legal position in respect of some unofficial strikes. Unofficial strikes in deliberate breach of a contract between a union and a firm are now nearly peculiar to this country, since in most other countries actions for damages in these strikes would be against their instigators. The recent decision in *Rookes v. Barnard* suggests that this same legal position may in fact obtain here; but for the moment the TUC seems to be trying to ignore this in the hope that most British employers will find it unwise to institute such actions.

The result could be, under present law, precisely the sort of sudden unfairness against particular local union officials that Mr Woodcock has indicated he would fear if present law were changed: some day soon an unexpected action for damages may bring down ruinous financial penalties on some small shop stewards who may merely have made some technical procedural lapses without realising that they may thereby have become liable for paying damages for instigating a strike in breach of their own union's contractual word. If some Government-appointed registrar of trade unions were set up, it would be reasonable to say that aggrieved parties who felt that they were being illegally damaged by some trade union action should first file a notice of complaint with the registrar, and that such actions for damages (even if they would have been permissible under present law) would not then lie if the union officials concerned immediately complied with a registrar's order to desist.

IT is unfortunately idle to suppose that any legislation on these lines could now be carried through with the approval of the Trades Union Congress. It is doubly unfortunate that these matters have come to a head at a time when relations between the Government and the TUC seem bound to become more strained on other grounds. But the task of statesmanship is to consider the national interest, not particular worthies' *amour propre*. Most of the leaders of Britain's great trade unions are sober, responsible, hard-working, cautious, patriotic, immensely dignified social workers, who would be likely to feel touchily hurt and insulted by any new law which implied that they are not managing to control their own movement in the full interests of the nation and of their own members. The fact remains—for all but the politically purblind to see—that under present law they are not now managing to do so.

Commonwealth Pilgrims' Progress



Mr Sandys:
burning bright

Mr Thorneycroft:
unscathed

Mr Hare:
surprised

IT was inevitable that, as negotiations between Britain and the common market approached, Commonwealth countries would make as much noise as possible to assert their interests. The stronger the signs of hesitation in London, the louder the objections were bound to be. The reports from our correspondents on Mr Sandys's circuit of the white dominions show that the three governments most affected are not failing in their duty.

They also bring out, however, the striking differences between both the scale and the kind of problems the Commonwealth countries face. Given an unconditional British entry into the common market, and an adverse development of European farm policies afterwards, New Zealand might obviously face grave economic difficulties. Equally obviously, it should be a first aim in any negotiations to ensure that its losses in the British market are compensated for in some way. A formal association that would bring New Zealand into the common market's agricultural club, or quotas for butter, or help for its secondary industries, are among the ways in which it might be helped.

Canada's problems are of a very different kind. As our Ottawa correspondent points out, many of Mr Diefenbaker's worries are political in origin. The grave economic difficulties his country faces, and the background of pro-Commonwealth emotion that swept him into office, make it inevitable that Canada should protest against any kind of change. But, compared with the threat New Zealand faces, Canada's economic worries are small beer. If wheat and the crucial raw materials and semi-manufactures can be given reasonable access to Europe, the remaining problem for Canadian manufactures is minor in scale. It is the loss of long-term opportunities in Britain that worries Canadian manufacturers; but then it is precisely the long-run potentialities of Europe as a whole that the common market should enhance.

WHILE Mr Sandys has been touring the white dominions, Mr Thorneycroft and Mr Hare have been visiting the Asian and African capitals. By and large Mr Thorneycroft seems to have run the Asian gauntlet unscathed, but earlier this week a surprising volume of protest seemed to be coming from Mr Hare's African beat. The reports were surprising because the African territories comprise the one part of the Commonwealth that is almost bound to gain in the short run as well as the long run if Britain joins the Six. Ghana sends more than half its cocoa to the common market; Nigeria a third. Outside the common market and its African association, these countries face a real danger from the new preferential

tariffs that favour France's former territories. Inside, they have a very reasonable prospect of getting access not only to the British market but to the continent as well.

In fact, the earlier reports from Ghana and Nigeria seem to have been false alarms. When President Nkrumah addressed the Ghanaian parliament on Tuesday, he said that Ghana would object to a British move unless three conditions were fulfilled: continued access to the British market; access to the European market on the same terms as the ex-French territories; and aid without strings. Since none of these conditions looks out of reach, Ghana's doubts need not cause lack of sleep. But in Africa, as in the rest of the Commonwealth, one broader lesson did emerge. While the economic difficulties of the Commonwealth may be met, its preservation as a political idea, through the period of inevitable upheaval and adjustment, will place heavy demands on Britain's diplomatic skills. Britain's plunge into Europe will require a new energy and imagination not only in Europe itself, but in Commonwealth affairs.

NEW ZEALAND

Sacrificial Lamb

From our Wellington
correspondent



Mr Holyoake: dumped?

ALL Mr Sandys's powers as a diplomat have been needed during his New Zealand visit. The Government of New Zealand, under Mr Holyoake, is strictly reserving its position on the common market, and it remains highly necessary, for the sake of the Commonwealth's public relations, to demonstrate not only privately but publicly that the United Kingdom will not overlook New Zealand's vital interests while it is conserving its own. Some of New Zealand's most vocal spokesmen such as Mr F. P. Walsh, for the trade unions, and Mr John Ormond, for the meat producers, have been using strong and forceful language about the potential threat to New Zealand interests. These ancestral voices are drowning out others which try to explain the reasons why Britain finds it difficult to stay out of the common market.

This is yet another demonstration of the fact that, when unusual periods of diplomatic tension occur between the Old Country and what is left of the old Empire, British diplomacy seems to lapse into throat clearings and shufflings. The lack of any real Commonwealth ingredient in the staffing of the Commonwealth Relations Department, the Central Office of Information and other agencies

concerned with Commonwealth ties becomes painfully apparent at such times.

Mr Sandys did his best with the very difficult situation he encountered in Wellington, but it is doubtful whether he succeeded in allaying any of New Zealand's fears about the effects of the common market upon its economy, still largely based on agriculture. Moreover, even if he did succeed in bringing a measure of reassurance to members of the government, the misgivings and conjectures which are now racking a great number of New Zealanders will continue and multiply.

There is no doubt whatever that the New Zealand cabinet is anxious to be helpful, and that it realises Britain's problems, but it is scarcely to be blamed if it feels New Zealand's own problems must come first. Whatever may be the views of individual ministers, they collectively face the fact that their farming constituents are convinced that anything less than the continuation of guaranteed duty-free entry to the British market for New Zealand dairy products and meat will be tantamount to selling out. Sympathy for the British viewpoint will not allay the growing feeling that New Zealand may be made the sacrificial lamb on new altars.

MR SANDYS has undoubtedly made it plain in Wellington that the United Kingdom cannot go into negotiations with the Six with prior commitments to New Zealand or any other member of the Commonwealth. Yet that is just what New Zealand feels it must have. Arguments that the common market will eventually lead to benefits for New Zealand mean very little when the short-range problems created by loss of the guaranteed British market remain so obvious and so frightening. Last year New Zealand sold 89 per cent of its butter, 94 per cent of its cheese and 94 per cent of its frozen lamb and mutton in Britain. The economy of the country has for years been largely geared to that of the United Kingdom, and the agricultural policy of the Rome Treaty, if it is carried out, means that Britain's trade in, and production of, food must be completely reorganised. New Zealanders, with the best will in the world towards the United Kingdom, cannot see how this can be done without kicking away three of the four major props on which their export income rests. New Zealand ministers found that Mr Sandys fully understood their situation, but there are no pretences behind the scenes that the visit has done more than explain the new uncomfortable facts of life.

This is not to say that the British case for joining the Six is completely misunderstood. In the last two months, while the spate of conjecture has steadily mounted, the majority of New Zealand newspapers have done something to try to inform their readers about the issues. But they have not been greatly helped by New Zealand politicians, most of whom have avoided the subject unless thrust hard up against it. This attitude was even more pronounced during the election campaign last year.

The debate over the common market comes at a time when New Zealand has a number of other preoccupations, none of them pleasant. The Holyoake government, plainly determined to enjoy a honeymoon (even a short one), withheld the application of various restrictions until it became apparent that it could temporise no longer. The financial screws are now on; import licensing is tightening up. It does not appear to be sufficiently realised in either London or Wellington that what used to be called the bonds of Empire may be gravely strained unless the British arguments for entering the European community are more clearly, fully and forcefully expressed in New Zealand. There is an impression abroad in New Zealand that the United Kingdom is more concerned about western Europe than it is with its traditional alliances in the Commonwealth. Mr Holyoake, and the rest of New Zealand, have most of all wanted convincing words from the British side to allay this impression.

AUSTRALIA

Wallaby Worries

From our Canberra correspondent



Mr Menzies: millstone?

BY the time these words reach the press, Mr Sandys will have had his first discussion about the common market with the Australian government. It will not have been an easy meeting. One has the impression that the cabinet will have sat back grimly waiting to hear what Mr Sandys has to propose. The prime minister, Mr Menzies, in a statement earlier this week, recalled that Australia "had been assured of full consultation before any decisions are taken," and he observed that the problem had been the subject of occasional reference during the past two years. But, Mr Menzies continued (it would seem rather tartly), the meeting with Mr Sandys would give the cabinet its first opportunity of hearing the views of the British Government "expressed with authority and in reasonable detail."

Will Mr Sandys be able to supply the "reasonable detail," the practical proposals that are awaited? He seems rather to see his mission as being to persuade Australians of the advantages to Britain and themselves of negotiations with the Six, and to find out what are the essential Australian positions which should be beyond the scope of negotiation. Now Australians can see very well the disadvantages to Britain of not joining the common market. They can even see that those disadvantages might be worse for them than the alternative disadvantages of Britain's joining. But what they are anxious to know is what those latter disadvantages would be.

The fact is, however, that there is no simple set of proposals that could be put forward either by Mr Sandys or by Australian ministers. Any concessions to protect Australia's exports would have to be negotiated commodity by commodity. Of these commodities, one of the most important to Australia is dairy produce, although this is not as important as it is to New Zealand. Wheat would not retain a dwindling market in Britain if it not only had to surmount the common tariff but also had to compete alongside wheat—hard wheat, moreover—from elsewhere. Fruit, dried, canned and fresh, now holds its own against American competition only with the aid of the preference. Meat and sugar, too, are important, since in the first case over a third and in the second over half of total Australian exports of the commodity go to Britain. This is to mention only a few items, but almost every export except wool and ores would be affected either by the loss of free entry or by the loss or actual reversal of preference.

Economically, the threat to Australia can be summarised thus. Between a fifth and a quarter of its total exports would find their present markets (mainly in Britain but also among the Six) in jeopardy. This comes at a time when Australia has a great export problem anyway. It is true that the balance of payments problem that loomed up last year has been remedied, amid shrieks of distress, but a fundamental imbalance remains. No one knows what Australia can export, and to whom, in order to maintain its expansion. If the more developed countries now gang up to protect themselves against developing countries the prospect is even more uncertain. If the British market, which in 1959-60 took 26 per cent of Australia's total exports, were to disappear or shrink, it would be a grave situation indeed.

Politically the prospect is also disturbing. New political align-

ments may weaken the old, and here again the development may come at a time when old ties are weakening anyway—not only as a result of non-British immigration but also, perhaps temporarily, through the current mood. Old friendships fade. The club is not what it was. The far-flung Empire became the glorious Commonwealth; and then suddenly it seemed nothing but a millstone round Britain's neck as it tried to get into the swim with the Six.

CANADA

Awaiting the Tiger

From our Ottawa correspondent



Mr Diefenbaker: Cwthman

TRADITIONAL symbols of the Commonwealth (or, as faithful *Economist* readers would say, of "cwthmanship") are all muddled up as Canada awaits the arrival of Mr Duncan Sandys next week to discuss British negotiations with the common market. The British lion appears as a tiger. (Who could impersonate it better than Mr Sandys?) The Canadian government is cast as the young lady of Niger. Mr Donald Fleming, the finance minister, would make a succulent meal if he let himself be taken for a ride. Thus have legendary fears tended to obscure more realistic consideration of trade possibilities. They are fortified by the Conservative party's instinctive addiction to rhetoric about the Commonwealth.

If the Canadian government appears intransigent about Britain's links with Europe, it is only fair to remember that Mr Diefenbaker's first declared aim in June, 1957, was to organise a Commonwealth trade conference. His unfortunate declaration about diverting fifteen per cent of Canada's trade from the United States to the United Kingdom came later and was dropped with a plop as soon as Mr Thorneycroft and Sir David Eccles trumped it with their idea of an Anglo-Canadian free trade area. But the Commonwealth trade and economic conference of September, 1958, was held in Montreal, thanks largely to Mr Macmillan's understanding support of Mr Diefenbaker. The very fact that the conference was held satisfied Canadian Conservatives, even though it resulted in a reassertion of untarnished devotion to Gatt, a blatant attempt to reassure Washington about the purity of Commonwealth intentions, and a Canadian refusal to bind many preference margins as Britain requested—though it did bind duty-free entry for cars. If these experiences provide any guide to the present Canadian attitude, Canada may prove more realistic than expected in the real backroom bargaining over the common market—if due respect is paid to the sentiments of cwthmanship.

Yet Canadian experts agree that the United Kingdom's decision about Europe confronts Canada with a very grave and far-reaching problem. All the fears that were aroused by the original British proposal for a European free trade area in 1956 now return with redoubled force. At that time Mr Macmillan, as Chancellor of the Exchequer, rather lightly brushed aside Canadian concern about the preference on manufactured goods, saying that they constituted only ten per cent of Canada's exports to the United Kingdom. There was no question then of new tariffs being imposed on Canadian goods, but only of their losing preferential treatment. Now goods described as "manufactured" by the international classification, which includes many semi-fabricated products, constitute more than forty per cent of Canadian exports to Britain, and

these goods account for practically all the increase of the last two years. The threat is not just the loss of preference, but the loss of free entry to the British market and the substitution of the same tariff as applies to products from the United States.

Even in 1956, when British currency controls still excluded most Canadian manufactures and when Canadian policy, under the direction of the late C. D. Howe, was obsessed by resources development and the export of unprocessed and semi-processed materials, far-sighted Canadians were worrying about the export of fully manufactured goods. Now, when Canadian manufacturers have had a short run at the British market with highly promising results, it is profoundly annoying to read British comments dismissing their prospects as insignificant. Moreover, it comes at the worst possible time. Mr Howe's former post is now occupied by a former Toronto manufacturer, Mr George Hees, who is vigorously pushing an export promotion drive which has surprised many of the smaller manufacturers by revealing opportunities open to them in the United Kingdom as well as other markets.

To say that Canadian sales to Britain of finished manufactures, like women's clothing, household appliances, chemicals, machinery and plastics, are still small is quite beside the point. Of course they are. But Mr Fleming would be justified in reminding Mr Sandys of repeated statements by the last three Presidents of the Board of Trade that Canada could sell in Britain many "North American type" goods. In this field the preference is vital, if only because so many Canadian manufacturers are subsidiaries of American companies.

This, of course, is not the only field of Canadian concern. Bulk exports remain fundamental. But, so far as metals are concerned, negotiations with the common market have gone moderately well; the threat to the forest industries comes from Efta rather than the EEC and has already been accepted; grains remain in the unpredictable sphere of agriculture. Canadian concern about agriculture and food products is much wider than bulk grain shipments. Again, it is not the total value of exports which matters, but the role which they play in the Canadian economy. Tobacco is vital in parts of southern Ontario, apples in Nova Scotia and British Columbia, canned salmon on both coasts, cheese in rural Ontario and Quebec.

WHEN Britain reaches the stage of detailed negotiation, Canadians should be ready to calculate what kind of concessions from the common market might compensate them for the loss of their present favoured position in the United Kingdom. Saner voices in government councils are trying to prevent rigid opposition to any and every possible British approach to Europe, because they expound the long-term view. But the Diefenbaker government is chiefly preoccupied with short-term political prospects.

In any event, the opening salvos should not obscure the harsh realities of hand-to-hand combat which must ensue when the two ships of state grapple. Canada is still a more undeveloped country than most Canadians were ready to admit in the euphoria of the 1950s. It is in the middle of a major and structural economic crisis for which the most essential cure is the development of more secondary industries under Canadian control. Admittedly, Canada's need to develop secondary industries will from time to time lead to proposals like the highly ill-advised recommendation for a ten per cent duty on British cars made by Professor Bladen after his appointment as a one-man royal commission on the troubles of Canada's wholly American-owned automobile industry. In this respect Canada was not ready in 1957, and is still not ready in 1961, to take Britain's offer of a free trade area as a basis for negotiation. These facts could have been made much clearer. But if Mr Sandys is to prove that he is no tiger, but only Bottom the weaver, he must accept that young ladies from Niger or anywhere else may have excellent grounds for apprehension, even if their fluttering appears excitable.

Our Job in Angola

"Ubi solitudinem faciunt, pacem appellant": so Tacitus, in the course of the greatest denunciation of imperialism ever written. In northern Angola the Portuguese attempt at pacification involves, according to missionary eye-witnesses, the indiscriminate slaughter of men, women and children. The Angolan rebels, it is indeed true, began the beastly massacres; the Portuguese minister of defence regards them not as human beings but as "savages and wild beasts." But this cannot justify the bombing and machine gunning of villages, or the firing of the jungle grass so that the Africans can be burned out like game. The Baptist Missionary Society's estimate that at least 35,000 Africans have been slaughtered may well be too high. But 103,000 people out of a total African population of 4½ million have found it desirable to flee into exile. Statements by the refugees make it plain that most of them are fleeing from the Portuguese, not from the rebels. If the Portuguese had the confidence of their subjects they could have persuaded them to remain in Angola, and enlisted them in their counter-terrorist campaign—as the British did in Kenya.

But the wrongs done in Angola are not all of commission. Portugal has never made a serious attempt to improve the lot of the main mass of its subjects. Its record was exposed by Senhor Henrique Galvão in the famous report that led to his quarrel with Dr Salazar. Perhaps the most telling detail in that report was the revelation that the population of Angola, under the strains of Portuguese rule, was actually declining, chiefly through the process of clandestine emigration by which Angolans abandoned their own country for what they hoped would prove more agreeable conditions in the Rhodesias—and South Africa. As the illiteracy rate is 98 per cent, the infant mortality rate 60 per cent, and the average wage for Africans £20 a year, it is not surprising that Dr Salazar should feel that, in the matter of "assimilating" native Africans, the Portuguese "may have erred on the side of excessive caution."

It is by now generally accepted, even by the British Government, that such a record is the proper concern of the United Nations, guardian not only of international peace but of the Universal Declaration of Human Rights. It is for this reason that the UN set up a sub-committee to investigate the situation in Angola. So far the committee has not had much success. Its authority has been repudiated by Dr Salazar, and, although its chairman has been invited to Lisbon, it is unlikely that he will be allowed to go to Luanda. (Since the invitation to Lisbon was sent to him in his personal capacity—he is Bolivia's representative—it may not be possible for him to go even there.) Eventually, however, the committee will report, and if, as seems likely after his speech of June 30th, Dr Salazar continues to stand pat, the UN will be faced with the hard question of what to do next.

Military action is out of the question. Economic sanctions may therefore look tempting to many countries. Unfortunately for the West, including Britain, the responsibility for implementing economic sanctions would fall mainly upon western shoulders. Sixty per cent of all Portugal's imports and exports come in trade with European countries; Great Britain, the

Britain can no longer turn a blind eye on Portuguese reprisals and repression

United States and west Germany account for 45 per cent of its exports and more than 40 per cent of its imports. There is the additional embarrassment that Portugal is a member of the North Atlantic Treaty Organisation. Already the conviction is widespread in Africa and the Middle East that it is Nato that has enabled France to pursue the Algerian war for so long. The suspicion is spreading that Nato, similarly, enables Portugal to fight the Angolan war. Britain has the extra load to bear that she is Portugal's oldest ally (and as such has already incurred Mr Nehru's censure) and that Portugal's only sympathisers in Africa are to be found in the Central African Federation and the Republic of South Africa—to both of which the British Government supplies arms.

If the United Nations asks for some action against the Portuguese, the demand may be awkward for the West but it will be hard to resist—the more so since the United States has, since March, been consistently liberal on the issue, thanks to Mr Stevenson's appreciation of the feelings of the anti-colonial powers. The words and actions of both France and Britain show that their governments recognise this. France has publicly urged Dr Salazar to "draw the necessary conclusions" from the fact that the French make no distinction of race and from France's belief that this principle must prevail throughout Africa. Lord Home dropped some gentle hints during his visit to Lisbon, and has since made it clear in the House of Lords that Britain cannot, for the sake of legal niceties, continue to abstain from voting for UN resolutions which express the world's distress at the events in Angola. Both nations' declarations must be understood as a clear warning to Dr Salazar that they will no longer be able to afford to appear to be on his side unless there is a change.

It is good news that the British Government has at last woken up to the situation. But Britain's reputation will not be redeemed in the eyes of the African world merely by the imposition of an embargo on the sale of arms to Portugal's overseas territories, especially as Mr Macmillan's reservation in favour of Portugal's "reasonable military requirements as a Nato ally" opens a gaping hole in the embargo. A willingness to vote with the majority in the UN is no substitute for action designed to bring the Angolan emergency to an end.

THE British Government may be missing a great opportunity over Angola. If it had the courage of its convictions, it might, basing itself on its own unequalled record as a decoloniser, take the lead in persuading Dr Salazar of the course of wisdom. It ought not to be deterred by the memories, which Dr Salazar's apologists evoke, of the Mau Mau uprising in Kenya. Not all that was done in Kenya during the emergency was well done; but the success of Britain's comparatively liberal policy in the colony since then gives the British special warrant for urging a similar course on Portugal. It may be too late; it is very hard to see how Mr Roberto Holden, or any other Angolan leader, can ever now agree to work with Dr Salazar or his associates; but the attempt should be made.

Pressure should be brought to bear on Lisbon to admit the

UN sub-committee—and with it the international press—to Angola. Proposals for a generous programme of aid and reconstruction, leading to eventual independence, should be worked out in collaboration with the United States and the United Nations—with the UN especially, because unilateral intervention by the West would risk the charge of neo-colonialism, and because it is only by keeping the nations of the world fully informed of the problem that such a rescue operation can be saved from being brought to nothing by international rivalry and suspicion. Above all, every attempt should be made to point out to Dr Salazar that, since Portugal lacks the resources to wage a colonial war for long, he stands to gain, not lose, in international security and goodwill by modifying

his policies; and that the West, either by economic sanctions, or by large-scale aid, could break or make him.

This need not lead to a final rupture with Portugal. But a steady injection of diplomatic counsel might well encourage Dr Salazar to follow a more liberal, and hopeful, policy. If Britain is to give positive help in this, it must act now. To respond as late and as little as possible to pressures as they arise is to invite being found guilty by association with Portuguese repression. To take action to assist in the restoration of peace to Angola, and to ensure its future stability, is the course dictated by both humanity and good sense. The Government's responsibility is clear—and its recent small concessions to its critics show that it knows it.

NOTES OF THE WEEK

THE ECONOMY

Waiting for Go Slow

THE agony of waiting for the Chancellor's axe to fall is going to kill somebody or something soon. Mr Lloyd told the Commons on Tuesday that he "will be very surprised if the House rises for the recess without any statement on the economic position"; if that statement does not announce new measures of restriction, the City will be astounded. But apart from steps "to restrain increasing Government expenditure" at home—and, almost certainly, steps to make specific cuts in Government expenditure abroad—Mr Lloyd intimated that he has not yet decided which particular weapons he should choose from "the many possibilities open to me." Fortunately, he seems to have rejected the idea of reintroducing building licences ("on the whole," he said on Tuesday, "the cons outweigh the pros"). He denied that he has yet definitely decided to use his new power to raise all indirect taxes as soon as the enactment of the Finance Bill arms him with it; but Sir Edward Boyle has told a television audience that the Government has "learned the lesson" that it is better to place more reliance on fiscal policy and less on monetary policy.

Where a Conservative minister thinks he has learned that lesson from is puzzling. The Tories' main experience of using fiscal policy as a mid-financial-year regulator was five or six years ago—with Mr Butler's singularly unsuccessful autumn budget in 1955 (which involved almost exactly the same kind of action as use of the new indirect tax regulator would involve now) and Mr Macmillan's "additional measures" the following February; the economy thereupon entered upon its longest-lasting period of stagnation, and also managed to run into two more sterling crises in successive years. The times when the Tories progressed most quickly from emergency to healthy re-expansion were in fact on the only two occa-

sions when Bank rate was raised by more than 1 per cent in a single jump—under Mr Butler's Chancellorship in 1952, and Mr Thorneycroft's in 1957.

Whatever short-term measures are used this time, they are unlikely to bring lasting relief unless they are accompanied by radical new departures in long-term policy. The Government must know perfectly well what are some of the new departures required. First, and possibly significantly, complaints about restrictive practices have begun to find their way back into ministerial speeches; but to mount an assault against these practices both by management (e.g. resale price maintenance) and labour would obviously require time while complicated legislation was drafted. Secondly, and more quickly, competition could be encouraged at home by a sizeable cut in Britain's tariffs; there are signs that this may be done. But, thirdly, the real question will be whether the Government enters the lists this year against wage inflation—by vetoing exorbitant public sector wage increases and by seeing that the Ministry of Labour's arbitral mechanism no longer encourages exorbitant private sector wage increases as well. Resolutions from a dozen union conferences in a dozen different seaside pavilions have made it clear that the trade unions would not co-operate in this, but the probable implication should be faced and accepted. It may well be that the British economic miracle will only get going after the country has overcome some large official strikes.

EARL EDEN

Four Years On

SIR ANTHONY EDEN left office in circumstances that denied him (and his critics) the normal congratulations addressed to any

occupant of No. 10 Downing Street at the conclusion of his ministerial career. This may not be of particular importance to him personally (Sir Winston Churchill was denied the first fruits of the leader-writers' labours in 1955 by resigning during a newspaper strike), but in Sir Anthony's case the circumstances also prevented the balanced assessment of his qualities and services that was his undoubted due. His decision to accept an earldom four and a half years later provides the country with an opportunity to make some necessary amends.

History, with its hindsight, is likely to see Sir Anthony as the British Prime Minister who succeeded to an impossible political job. In the first place, he was the immediate successor to the greatest of Englishmen, so that if he had at once tried to play the role of party and national leader with inspirational éclat—bedecked, say, in Mr Macmillan's type of Edwardian waistcoat—he would have been told that he did not measure up to Churchillian heights; and when he did try to play that role with administrative zeal, the newspaper critics groaned that he was prosaic and dull.

Secondly, in the final fatal crunch, Sir Anthony was the prime minister who happened to preside over British fortunes in the hour when the natural decline of British power was revealed to an extent that had been, even in the earlier crises of the 1950s, unsuspected by friend and foe alike. It was his personal misfortune that the country (and, in the decisive moments, his own party) demanded more of him as prime minister than he—or, in retrospect, any other candidate for his job at that time—could conceivably have given. To say that his former great powers were already failing when he succeeded in 1955 is simply untrue. It may be some deserved satisfaction to Sir Anthony now that his policy in the Indo-Chinese crisis of 1954, one of his last major tasks at the Foreign Office, has been increasingly recognised, not least in the present actions of the British and American governments, as a model of diplomatic sense

and realism. In the balance of achievement it is only one of the counts that deserve to weigh heavily in the scale together with his brilliant record in the years between 1935 and 1945.

Sir Anthony has said that he will now feel able to take part in debates in the Lords. As the Conservative rank and file's reception of his speech at Wetherby last month showed, he will be assured of a wide audience there. It is true that the part of a retired leader who remains in parliamentary life carries its own problems and restraints—and never for a moment should they be forgotten. Even so, if something of the example of Lord Balfour, the predecessor with whose political career his own may most bear comparison, may be ventured upon, one may hope that Sir Anthony is by no means at the end of his counsel and thus service to the country.

ISRAEL

Chariot of Fire

THAT the Holy Land should have become a launching ground of rockets is a startling reflection on the present way of the world. In its setting of the tensions in the Middle East, Israel's first venture into space is bound to intensify Arab misgivings, excited already by the discovery last year that Israel has a reactor larger than is needed for pure atomic research. Perhaps it is intended to cause misgivings. Israel has the right of any believably threatened country to argue that its best defence lies in a display of strength. Nor can scientists anywhere be expected to agree that the problems of local diplomacy should stand in the path of scientific research.

For a small state with few resources, Israel's sally into space is a brilliant feat. But the rocket is small, even by the standards of the Italian, Japanese and Australian rockets built for upper atmosphere research (and is even smaller than their big bomb-carrying and satellite-launching brothers in other countries). In its present form, it is almost certainly a harmless research instrument. But the Arabs, and the world, may reasonably ask where Israel goes from here. The Israelis cannot build military rockets now; they will not be able to in the near future unless their scientists are sufficient skilled in electronics to design the necessary guidance systems. Such skill has yet to be divulged. One test for the future may, nevertheless, be applied. If the rocket is a wholly innocent scientific venture, firings should be expected to proceed at the rate of up to one a month. Anything more frequent would be decidedly suspicious, and even a dozen a year would show an exaggerated enthusiasm for upper atmosphere research in so small a country.

Probably Israel is getting technical advice from France. France fires similar rockets in the Sahara, and the now formalised Israeli-French alliance lends colour to the belief. The political aspects of this are more serious than the technical. If Israel even

gives the impression of looking to a western power for help in developing nuclear weapons, the Arabs may decide to solicit some of their own from Russia. Thus, whether the Arab suspicions are justified or not, a new arms race may begin. It would be a tragedy if Israel's great scientific gifts, intended to bring peace and plenty to the Middle East, should become so turned in upon themselves that they came to carry the seeds of destruction.

CHINA AND RUSSIA

Peking Duck Egg

"NO more cracks can be found in Sino-Soviet unity than on the shell of a duck egg," said Marshal Chen Yi, the Chinese foreign minister, in Geneva this week. He had been nettled by reports, in a dissident French communist journal and (from the apocalyptic pen of Mr Isaac Deutscher) in the *Sunday Times*, of a warning sent by the Russian leaders to comrades in various countries against Chinese attempts to win backing for Peking's policies against Moscow's. The marshal's egg seems to have something in common with the curate's. Its surface may show no yawning fissures; but is all well within?

While China was marking its communist party's fortieth anniversary with due pomp on June 30th, the Soviet leaders, far from appearing in Peking, spent the day discoursing to North Korean visitors about Russo-Korean bonds, without, apparently, mentioning China's considerable role in the preservation of the Pyongyang regime. True, the air between the communist capitals was full of goodwill messages; but no personal message from Mr Khrushchev to Mr Mao was reported, and compliments to Mr Mao were notably lacking in Soviet and east European statements on the Chinese anniversary (Albania always excepted; Rumania, interestingly, provided the only other exception to the cool rule). Several of these statements included pointed reminders that China had signed last November's Moscow formula on peaceful co-existence (the reported Russian circular accuses China of going back on its signature).

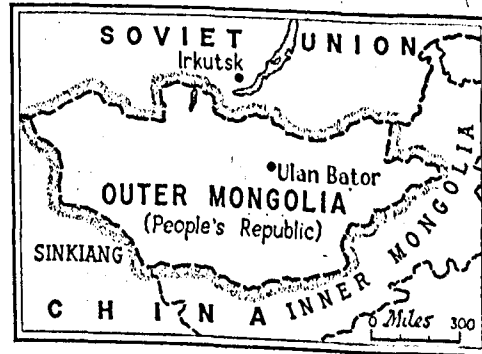
Soviet aid for China was stressed in the Soviet statements, and ignored in the Chinese ones. Moscow's foreign trade journal has just revealed that China, in its 1960 trade with Russia, ran up a debt of \$320 million, which is to be paid off mainly in the years 1963-65, and that China is not now selling Russia any of the meat, eggs, rice, soya beans and oils that were formerly among its export staples, while Soviet deliveries of machinery to China have been correspondingly slashed. "China is too big to be anybody's satellite," were Marshal Chen's proud, if not too well chosen, words in Geneva this week. One may yet wonder whether, if China's economic sorrows had not restricted its freedom of manoeuvre, the cracks in the Sino-Soviet egg might not already have gaped more widely.

Bone in Mao's Throat

IT is surely no accident that *Pravda* reported Peking's festivities on a back page, keeping the front for a build-up of the Mongolian communist party's fourteenth congress; nor that no Soviet dignitaries were spied in Peking last weekend, while Ulan Bator this week had the pleasure of the redoubtable Mr Suslov's company, fresh from his vigil at the Indian communist conference that saw the Peking faction lose a bitter bout with the Moscow one.

If Berlin is the bone that sticks in Mr Khrushchev's throat, then Mongolia must feel the same in Mr Mao Tse-tung's. Although Outer Mongolia, as it is still widely known, rebelled against Chinese rule in 1911 and proclaimed its independence ten years later, neither Chiang Kai-shek's Nationalists nor Mao's communists have ever reconciled themselves to its separate existence, whatever the Sino-Soviet treaties of 1945 and 1950 may have said. In Inner Mongolia—still firmly within China's borders—the Chinese have swamped the local population, both by massive immigration and by a drastic revision of the Mongolian autonomous region's boundaries, so that the region now numbers seven Chinese to each Mongolian. New Chinese text-books were introduced early last year and the hours of study in Chinese were increased in the schools.

Even in the Mongolian People's Republic (Outer Mongolia)—always a Soviet satellite—the Chinese communists seem determined to compete with Soviet influence. Both Soviet and Chinese economic aid programmes for Mongolia are on a huge scale,



considering the smallness of the population—about a million—and its pastoral character. During the past five years, Soviet credits have totalled about \$350 million; China's contribution has understandably been much smaller—about \$115 million—but modest only relatively to Russia's. It can scarcely be doubted that these economic efforts reflect an underlying rivalry in foreign policy. And now President Kennedy is reported to be considering the despatch of an American ambassador to long-unrecognised Ulan Bator; the Outer Mongolians must be wondering if they have enough fingers to count their woocers on.

KUWAIT LANDING

Brush-fire Capacity

THE swift British military build-up in Kuwait, to some 7,000 men by Thursday, is a demonstration that the Middle East forces can carry out a set-piece if they have to. This was evident, on an appreciably smaller scale, in the air lift for 2,500 men from Cyprus to Amman in 1958. Now the use of sea power in the Persian Gulf, including the commando carrier *Bulwark* and the amphibious warfare squadron from Bahrain, has provided the Kuwait intervention with a much more substantial punch. This has given a boost to Britain's pretensions to conduct a sizeable brush-fire operation, and shows that small friendly regimes can be propped up if they ask for help in good time. Nevertheless, some awkward questions remain after the congratulatory signals have been passed round. Would the British air lift have looked at all adequate if General Kassem's armour had begun to roll forward last Saturday? Would there have been sufficient tactical air support if the marines had had to make an opposed landing? Moreover, the geographical course of the Kuwait operation has underlined the growing political limitations on strategic mobility in the Middle East theatre. The 2nd Parachute Battalion was flown in Britannias from Cyprus to the Gulf, using the air space of two Cento members, Turkey and Persia, but the Cypriot government is clearly nervous about upsetting Arab opinion in the future. Within a year or two, it may be necessary to write off the Nairobi base, where the 24th Infantry Brigade has been stationed as a mobile theatre reserve, and Southern Rhodesia (assuming political stability) is too far south for convenience. Just as the passage of the Mediterranean fleet through the Suez canal has depended this time on the United Arab Republic's current political tack, so Arab and neutralist African air space could present a serious barrier in future emergencies.

This trend adds weight to the argument that seaborne task forces, employing commando carriers and the advanced type of tank landing ship, and with their own air cover will have to play the chief role east of Suez both in independent operations and in support of Cento and Seato allies. The advantage for the local commander is that he can keep his force below the horizon when a crisis first looms up, and still be able to move in rapidly with heavy equipment in the initial landing whenever necessary. Mr Watkinson has seen the need to increase this capability, and the second commando carrier, the *Albion*, will be ready next year. But new vessels, particularly among the landing craft, are urgently required if operations in less favourable circumstances than at Kuwait are to be given a fair chance of success.

UNION CONFERENCES

Coal and Rail

WITH the new chairmen of their industries firmly in the saddle, the railwaymen's and the mineworkers' unions held their annual conferences this week in Scotland and in tranquillity. Uproariousness was left to an outsider, Mr Ted Hill, making his fraternal address to the miners as this year's chairman of the TUC. Casting aside his favourite role as the lovable old eccentric, and appearing instead as a heedless old troublemaker, he appeared publicly to pooh-pooh ballot-rigging in the unions and said that unofficial strikes, which the miners' president Mr Ford had just attacked, can sometimes be a good thing; he thinks that they can give workers a nice rest. It was left to Mr Will Paynter, the miners' communist general secretary, to prove that the left wing need not be the lunatic fringe by making a careful plea for a wage structure in the mines which would give fair incen-



Mr Hill: eccentric or heedless?

tives to men working with the new powered equipment that the coal board is busily installing throughout the country. With Mr Ford to do the denouncing, and with Mr Paynter to work out the painstaking details, it looks as though Lord Robens (who was realistic on costs and prices when he spoke on Thursday) can at present look forward to co-operation from the union—despite the conference's approval of the inevitable wage claim. Mr Gaitskill, anyway, is sure of co-operation after the resounding repetition of last year's vote on multi-lateral disarmament.

Dr Beeching at the Transport Commission offers a far more tempting target to trade union orators than Lord Robens at the coal board. But in attacking the idea of decentralisation on the railways, delegates could make only hazy onslaughts on what are as yet hazy proposals. Significantly, many of them pointed to the shortage of staff on the railways in certain areas (but nobody suggested that this might make a case for regional wage differentials). The union leaders are in a restless mood and

seem to have largely persuaded themselves that the days when Sir Brian Robertson was their boss were a golden age, and that Mr Marples (in particular) and Dr Beeching are the appointed and gleeful gravediggers of the whole railway industry. If they see an issue on which they could count on any measure of public support, they might well act dangerously under pressure from the middle-rank union officials. But the defeat of these militant ncos over the unilateralist issue—or rather their reduction to a state of complete bewilderment during the voting—may suggest that the rather more right wing union executive is well able to bend the union's impulses to its own sober will.

FRANCE

Murky Marks

EXAMINERS who unjustly fail no more than five hundred pupils out of seventy thousand taking the examination—less than one per cent—cannot be regarded as monstrously culpable creatures; but the outburst of fury and distress that followed the announcement of the results of the *baccalauréat* in the Paris area (results which at first seemed more unjust than, in the end, they proved) nevertheless had good causes. The *bachot* dominates the consciousness of French parents and children even more than the 11-plus does that of the English. To pass it is to obtain at once a certificate of education, like the British "A" level, and the passport to university. It is so indispensable as a career-opener that a special word, *bachotage*, is used to express the technique which enables the lazy or less intelligent to squeeze by; and crammers' establishments, known as *boîtes à bachot*, exist solely to coax them through it.

The discovery of muddle and injustice over the *baccalauréat* 1961, therefore, came as a painful shock. Deliberate "marking down" may have been on a small scale; muddle seems to have been widespread. Pupils were told that they had received 87 marks out of 60 for history and geography; examiners in Spanish were given Latin papers to mark. The confusion seems to have arisen from the government's laudable aim of speeding up the process by which marks are decided on and announced, and of eliminating the oral examinations in July, and the supplementary exam in September for those who have failed the first, so as to remove a blight from the summer holidays.

But the result, as the teachers had warned the minister of education, was disastrous. Paid less than half-a-crown an hour for the job, with their ordinary teaching still to do, and having to cram the assessment of one-and-a-quarter million examination papers into three weeks, the teachers understandably made mistakes. The wonder is that they made no more. The blame, as a result, is being turned upon the government, which is accused of cheeseparing in its financial

allotments to education, and of being over-hasty with its reforms. The need for reform, however, is generally admitted. No one approves the prevalence of *bachotage*, or the strains involved for those sitting this two-in-one examination.

PRISON SENTENCES

After Blake's Appeal

C RUEL and unusual punishments are expressly forbidden by the eighth amendment to the American constitution; and while English law contains no such formal prohibition it has always been understood that the courts will not pass sentences of such a length as to make it probable that a man will die in prison. This principle has been supplemented by the policy of the Home Office and the Prison Commissioners. When a man has been sentenced to life imprisonment—which is, in theory, the heaviest prison sentence that the law recognises—successive Home Secretaries have used their discretionary powers of release in life sentences to ensure that criminals are not kept in prison for so long that their moral and physical deterioration would prevent them from returning to the life of the community. On these grounds alone the specific sentence of 42 years imprisonment passed on George Blake, which this week has been confirmed by the Court of Criminal Appeal, would be open to grave criticism, since even if he earns his full remission for good conduct he will not be released from prison until he is nearly 70.

But the sentence is open to further objection. Under the Official Secrets Act the maximum penalty which Parliament has laid down for spying is 14 years. To pass consecutive sentences of 14 years on different charges in the indictment, and so impose a penalty in excess of this, is in effect to evade the will of Parliament; when Fuchs pleaded guilty to four charges under the same section of the Official Secrets Act in 1950, Lord Goddard felt constrained to pass the maximum sentence on each charge, but ordered that they should run concurrently. As the Home Secretary has no discretionary power of release when a specific sentence is passed, Blake will be worse off under his present sentence than he would have been had Parliament laid down a life sentence as the appropriate penalty for spying. Mr Justice Hilbery's point this week that a life sentence always remains in force and that the Home Secretary can release only on revocable licence is purely academic since no prisoner so released has ever been recalled. His claim that the sentence was necessary as a safeguard to this country seems odd as Blake would obviously never again have access to secret information; and not everybody will agree that one can deter future communist spies by making Blake's sentence so apparently savage.

NOTES OF THE WEEK

What the sentence is more likely to achieve is a diminution in respect for British justice—which has been admired, as Blake's counsel pointed out in his closely argued plea before the Court of Criminal Appeal, precisely because political considerations have for long been contrary to its genius and spirit.

TECHNICAL AID

Under-developed

MR VOSPER'S new Department of Technical Co-operation will have to struggle hard to make itself anything more than ordinarily useful. The department will be a source of information, and it will provide the experts, advice, and technical assistance that are at present sent to overseas countries by the Foreign Office, the Colonial Office, and the Commonwealth Relations Office. Mr Vosper will have £30 million to spend this year, taken from the budgets of the three senior departments; the disadvantage is that each of the three senior ministers will be looking over his shoulder as he spends it.

Such a department should co-ordinate Britain's technical assistance overseas, and at the same time achieve the publicity that earns a donor country the thanks for the job. President Kennedy proposes to do the same thing more grandly (and more sensibly) by putting most forms of American aid—including gifts and loans of money—under a single agency. The British Government has fought shy of this idea on the grounds that money-giving involves political decisions that should be taken by each of the three overseas departments. But, as the Americans have begun to learn, all aid should be co-ordinated on an international scale; backward countries need the planning security given by guaranteed payments spread over several years. Mr Vosper's new department should be promoted and given responsibility over the distribution of capital as well as technical assistance.

As it is, its task will be to smooth over the difficulties of pride that affect newly independent countries which have previously received their technical assistance from the Colonial Office and must now be transferred to the Commonwealth Relations Office. The department must also see that the new Commonwealth countries are not neglected altogether because they are no longer colonies. Equally important, it will have to decide orders of priority in giving technical assistance. Sir Andrew Cohen, who is likely to be the department's first Director-General, is exactly the right man for this job. He, and the department, should be given more to do. Otherwise the new department is likely to be looked on in the Civil Service as little more than a convenient way of finding a new home for at least one part of the Colonial Office's staff.

SCHOOL EXAMINATIONS

Beloe Upheld

IT looks as if the pressure building up around Sir David Eccles to implement the Beloe report is becoming irresistible. The Minister of Education has been manifestly reluctant to bring in a new school leaving certificate for children who are insufficiently bright to sit for the General Certificate of Education, but who is left on his side? The Secondary School Examinations Council, in a report this week, has upheld the Beloe recommendations against allcomers, with only minor reservations on organisational matters, including the type of regional examining body that should be set up. The council has confirmed what the Beloe committee reported: that any sixteen-year-old who can possibly pass a local or national external examination, however dubious its standards or whatever its influence on the syllabus, is already being thrust forward willy-nilly by the combined force of parents, teachers and prospective (usually small-scale) employers. It is no longer useful, the council says, to debate whether fifth-year secondary pupils should be examined. The real issue is how best these examinations can be adapted to suit the grade of pupil most likely to sit them.

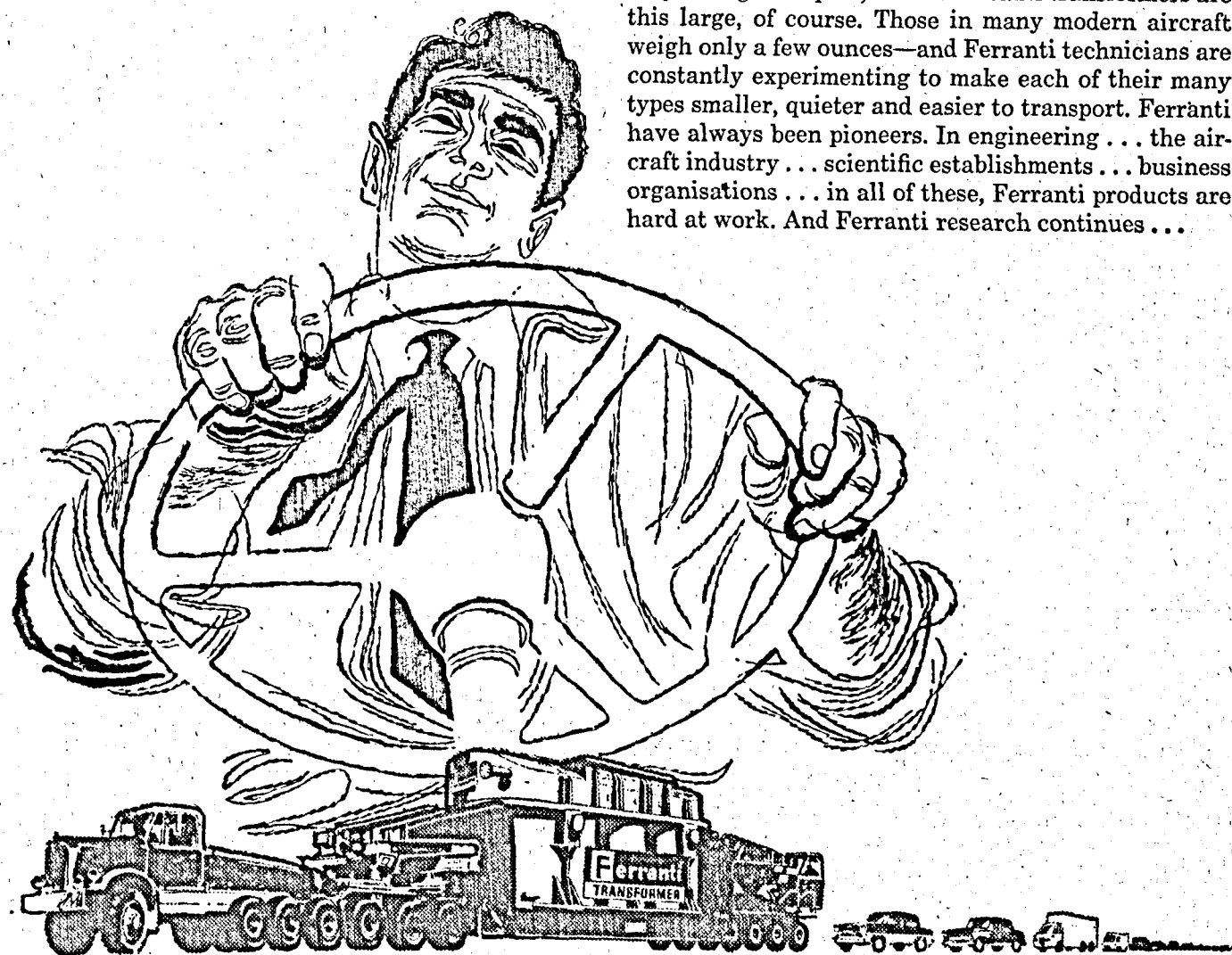
The pupils concerned, as the council sees it, are in the middle strata of intelligence. They do not belong to the upper 20 per cent (the grammar school stream) for whom the GCE is designed, but near the top of the secondary moderns (just below the exceptional children there who do succeed at "O" level) there is a second 20 per cent who could aim at a lower leaving certificate in a number of subjects, and a third 20 per cent below them who might pass in individual subjects. Children of even more limited academic pretensions do not, at present, stay on beyond the leaving age in any numbers, although they may well present a problem in the future. Further stratification inside the schools, and further rigidity of their syllabuses, are among the troubles that the Minister presumably fears if he gives way.

The best, and perhaps the one sound, argument for a Beloe examination is that it may encourage more pupils of middling ability to stay at school for an extra year. The SSEC has wisely declared against entering fourth-year pupils, and against having compulsory subjects. The prime need is for flexibility at all stages and to see that nothing is done, for the sake of a scrap of paper to be read mainly by proud parents, to stop the evolution of, and constant experiment in, the most fitting educational syllabuses for pupils of this calibre. Before Beloe becomes a practical possibility it is highly desirable that there should be more time for local experiment and that the Beloe report's own call for a central research and development unit for school examinations should be implemented.

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Summer Saneness

MR JULIUS NYERERE is no longer the only East African with a smile on his face; even the corners of Mr Tom Mboya's mouth are beginning to twitch. Talks held in London and Nairobi during the past three weeks have brought Kenya, and with it the whole of East Africa, to one of its hopeful periods again. This one may last. The two African parties in Kenya have, on instructions from Mr Jomo Kenyatta, stopped abusing one another. Mr Ngala, the leader of the minority party and the head of the government, has seen Mr Macleod and the governor, and has subsequently said that Mr Kenyatta's return to his house near Nairobi "will soon take place."

Leaders of both parties are meeting the governor in Nairobi to talk about moving Kenya to internal self-government in 1961; if, on top of that, Mr Kenyatta is given his complete freedom he could lead a majority government of Kenya to a conference on federation before Christmas (and perhaps before the more difficult conference on the Rhodesian federation). Uganda's constitutional talks in September remain a hurdle, but an advance was made on Monday when the colony was granted a chief minister and Mr Benedicto Kiwanuka, the leader of the legislative council, was appointed to the post.

Even more helpfully, the East African leaders agreed at their London conference on the future of the East Africa High Commission to create a new body—the Common Services Organisation—which will effectively transfer power from the Colonial Office to representative ministers from the

NOTES OF THE WEEK

three territories. The new organisation will be run by a triumvirate of the three "principal elected ministers"—Tanganyika's prime minister, Uganda's chief minister, and, with luck, Kenya's chief minister if Kenya gets one in time. Services formerly provided by the High Commission will be run by four committees of three ministers apiece, one from each territory. There will be a central legislative assembly made up of the twelve ministers running the services and nine members from each territory elected by the territorial legislature, as well as two officials. Services may be provided to Zanzibar on an agency basis. These arrangements could be an effective foundation for a federation; the fact that they have been made is a striking example of the desire for unity in all three territories. Before the year is out, the Colonial Secretary himself may be able to smile again.

SOUTH AFRICA

How to Influence People

LAST week, not two months after the new Republic of South Africa left the Commonwealth, the members of the International Labour Organisation asked South Africa to leave their company too. The republic refused to go, and there is no way of making it go. This fact is perhaps the only one in favour of motions for the expulsion of South Africa from UN agencies; where there is no way of enforcing such motions, they are a means of registering the world's disapproval of apartheid. But it would be a pity if South Africa really did leave these agencies, or the UN, for then the world's contact with Dr Verwoerd, and its hope of influencing him (forlorn as that

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may be) would be destroyed.

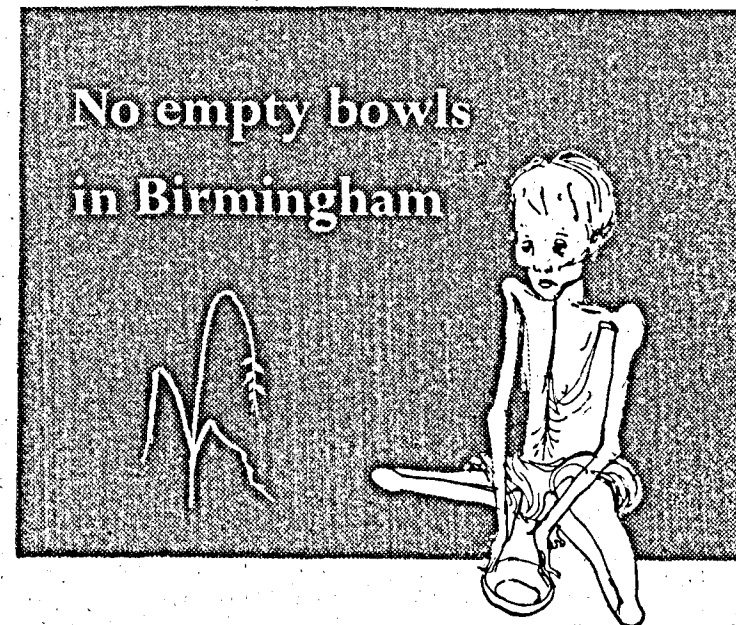
Not quite all alone, the new republic is doing its best to keep the few friends it has, and to seek new ones. Pushing aside their distaste for people who are less white than themselves, South Africans are doing business with Japan and even contemplating playing rugby in Tokyo. Trade deals are being sought with some authoritarian governments in east Asia. South African Airways is practising non-stop jet runs to Europe, in case a completely black Africa carries out its threat to close all airfields to South African planes.

Mr Fouché, the South African minister of defence, left Britain on Monday after talks about military pacts and buying arms; there can be little information about what he has achieved until Mr Macmillan is asked about it in the Commons—and there is no guarantee that there will be any information about it then. But South Africa, in need of military friends, is thinking in terms of a pact with its natural allies in Africa, the Portuguese: Mr Fouché has gone on to Lisbon. Southern Rhodesia, dangerously, is toying with the idea of transforming the present white gentlemen's agreement in the southern part of the continent into a formal pact with South Africa and Portugal. The British Government must not get into the kind of muddle over South Africa that it finds itself in over Angola. It must do its best to keep Southern Rhodesia out of such a pact, and it must not give Dr Verwoerd any military assistance that helps to preserve apartheid.

CRIME

No Compensation?

THE report (Cmnd 1406) of the working party set up by the Home Secretary to examine proposals for compensating victims of crimes of violence is a disappointing document, which admits rather grudgingly that two types of scheme might conceivably be put into practice. One, it suggests, would be similar to the National Industrial Injuries Scheme with awards made by a special tribunal; the other would enable victims to claim compensation directly from the Home Secretary with an ultimate appeal to the courts. The first scheme would have the advantages that it would operate more quickly and would be less intricate for claimants. The second, it is suggested, might provide a better mechanism for picking out deserving cases from undeserving ones, a point that has some importance since quite a considerable proportion of modern crimes of violence—the statistics of which have been so widely publicised—are in fact crimes against victims who bear some blame themselves. It would not be a very good idea to allow two rival street bookies' razor gangs to live off public funds provided as a recompense for being successively slashed by each other.



HUNGER in a British city is now rare, but had you been born in India, Hong Kong, Algeria or a dozen other places, you would probably be desperately hungry. You would be ill from undernourishment, unable to plant the food you need, likely to die before 30.

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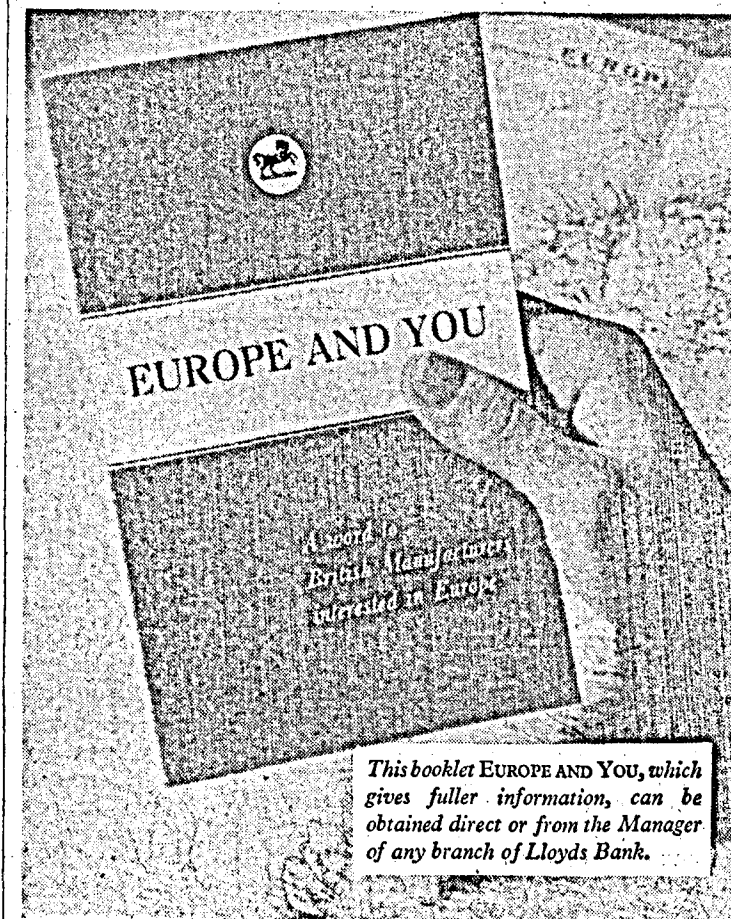
We could do much more if we had more voluntary helpers—in universities, schools, offices and in every town and village. Write for details.

Listen to Richard Dimbleby, B.B.C. 'Week's Good Cause,' Sunday next, 8.25 p.m. Please send gifts and offers of help now to:



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The Economist

JULY 6, 1961

STRIKE IN THE BUILDING TRADES

THE present strike in the building trades brings strikingly into view the utter futility of the last. On that occasion a nine hours' day was the single *sine qua non* contended for by the men. They alleged that they were overworked; that they wished for recreation; that they wished to have time to improve their minds; that they wished to have relaxation not on selfish grounds, but in order to become better working machines for the benefit of their masters. ... We always alleged that the strike, of which the professed principle was then expounded, was only a strike for higher wages, and that the working men did not much desire briefer hours or more protracted rest. The event has proved the correctness of our conclusions much more conspicuously than we could have hoped. A nine hours' day has been conceded to the workmen, and they refuse to accept it. Many of the masters in the building trade are now willing to pay by the hour; and this of course would

permit the workmen to leave off work if they really wished for relaxation, at the period at which they began to want it. But the money difficulty is too distinct. If they were paid by the hour, the working men would not get the same wages for a nine hours' day as for a ten hours' day, and this they do not wish for. The assertion that their wages afford no more than the bare means of subsistence is simply contrary to the real facts. An industrious workman in these trades can earn more than 30s. a week—more than thrice the amount upon which a bare subsistence can be, and in the agricultural districts is, unfortunately, supported. If we consider the present strike, solely in reference to the history of the last, we shall not be long in deriving an irrefragable inference from it:—we shall say it proves the secret aim of the latter to have been an enhanced remuneration, not a diminished employment.

But the difficulty of making distinctions is not one that should be regarded as impossibly daunting. Nor should the Government be put off by the fact that a successful scheme for compensation for crimes of violence might then lead to demands for compensation for crimes against property; one of the advantages of starting off with a limited scheme would be to see how it worked, and how far—if at all—it should be gradually extended to cover other types of offences. The cost of an initial experiment would be tiny. Cmdnd 1406 estimates that its suggested "industrial injuries scheme" would cost only £955,000 a year and its courts scheme £1,500,000, a substantial part of the extra money required for the courts scheme being accounted for by extra administrative costs.

The weakest sections of the report are those dealing with the recovery of money from the criminal for payment to the victim, which it pays lip service to as desirable but implies is impracticable. Certainly most offenders would not have the means to make reparation and if sent to prison would be deprived of the opportunity of finding any. Yet this could be in part remedied by raising wages in prisons to a level comparable with those prevailing outside. On this point the report is virtually silent; indeed it shies away from the whole idea of reparation on the Eldonine ground that it would involve a rethinking of our present philosophy of penal treatment. Yet this is exactly what is supposed to be going on at the Home Office and is what Miss Margery Fry had in mind when she first put forward the proposal in respect of which this committee has now laid its very small egg.

SPAIN

Democrats Unite

SPANISH republicans in exile, who subscribed to a pact of union earlier this year, have now had the pact confirmed and expanded inside Spain. The underground socialist party, together with the movement for Catalan autonomy, some left-wing christian democrats and other republican groups, published a joint manifesto in Madrid last week announcing the formation of a Union of Democratic Forces. Its aim is to fight General Franco's dictatorship "by all useful means" and to set up a provisional government which will try



Cardinal Pla y Deniel: Support for democrats

NOTES OF THE WEEK

to find out how the Spanish people want their country to be run.

The union describes itself as "left of centre," but says it is as firmly opposed to communism as to any other form of totalitarianism. Although republican in sympathy, it is ready to co-operate with liberal monarchists and will accept a constitutional monarchy if a free vote shows that the majority of Spaniards want this form of government. Significantly, one leader of the liberal monarchist movement *Unión Española* has welcomed the new organisation as a step towards the union of all Spanish democrats. The inclusion of the christian democratic left wing in the Union of Democratic Forces is interpreted as meaning that, if a republican regime succeeds General Franco, the church will not oppose it. The Spanish christian democratic movement is still small, but in the right conditions it might grow rapidly; it is the political projection of the mildly left-wing Catholic Action fraternities for workers and youths, and enjoys the discreet support of Cardinal Pla y Deniel.

This move towards unity among democrats has been accompanied by another. The three non-communist trade union movements which commanded the allegiance of the majority of Spanish workers until 1938—the socialist, syndicalist and Basque groups—have also concluded an alliance. Their aim is to re-establish free trade unionism in Spain and—when they can—to take over the property and other assets of the Falangist *sindicatos*, the official "vertical trade unions" in whose favour their property was seized in 1938-39. An unstated purpose of their alliance is to prevent the communists—who are known to be trying to infiltrate the official trade union bureaucracy—from getting in first.

NATIONAL ASSISTANCE

Portrait of the Poor

THE latest annual report of the National Assistance Board (Cmdnd 1410) provides a valuable record of the two million or so poorest people in the country. At the end of last year the board was paying out 1,857,000 weekly allowances, two thirds of them to women. About 1.3 million of the recipients were old people, another 270,000 were sick people below retirement age, 130,000 were unemployed, while the other 150,000 odd were mostly widowed or deserted or unmarried mothers who were unable to work because they had young children to care for. In all, the board estimates that only 23.5 per cent of old age pensioners were so bereft of other resources that they needed to draw national assistance last December, as did 17.5 per cent of the unemployed, 15.8 per cent of widows, and 13.3 per cent of recipients of sickness benefit; the rest are people presumed to have had some private income of their own.

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But perhaps the most disturbing statistic about Britain's poor is that 732,000 of the 1,857,000 national assistance recipients were living alone; their plight must generally have been much bleaker than that of most of the 313,000 recipients who were living with grown-up sons or daughters or the 404,000 who had grown-up sons or daughters living with them.

It is a mistake to suppose that only the utterly indigent can draw national assistance; 180,000 of last December's recipients owned their own houses, and the board reports that some 641,000 had other capital assets totalling £93.4 million. But this still implies that some 1.2 million of the recipients must have been living pretty well from hand to mouth. 489,000 of the recipients were tenants of local authorities; disappointingly, only 50,000 of these were having their rents abated under differential rent schemes. The board's "ordinary scale rates"—i.e. the national minimum on which Britain now in effect judges that the poorest of its citizens can live—are 90s. a week for a husband and wife, plus dependants' allowances (ranging from 17s. to 49s. 6d. a week according to the dependants' age), plus full payment of the recipients' rent. But the board is allowed to make discretionary additions to these scales, and in approximately half of all cases last year (including three fifths of old peoples' cases) did, in fact, do so.

When a family has over five children—as 19,000 families receiving national assistance last December did—the ordinary scale and dependants' rates plus rent allowance can add up to over £10 a week. This can present something of a social problem when the indolent father of a large family finds that idleness may pay him as well as unskilled work; the board had to undertake 88 prosecutions last year to force such idlers to take jobs. Two other thought-provoking statistics from the report are that there were some 436,000 children under 16 in families receiving assistance last December; and that, in a society where workers are rapidly accumulating private resources, little more than one per cent of men involved in strikes last year had to apply to the board for help for their families while they were out on strike.

Into Europe?

The economic effects on the Commonwealth of Britain's joining the Common Market are thoroughly analysed in 'The Commonwealth and Europe'; essential reading for all concerned with Commonwealth trade and development.

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THE WORLD OVERSEAS

Disappointment on the Rhine

FROM OUR BONN CORRESPONDENT

ONE of the last acts of the Bundestag that has just finished its four-year run was to approve an allowance of DM 25 a month (about two guineas) for the second child of parents earning under DM 7,200 (£700) a year. Since this provision is retroactive to April 1st, and the paying offices need a few weeks to make the necessary arrangements, it is anticipated—indeed, it is most seriously intended—that a gratifying first bounty of DM 150 will be distributed to some 1,870,000 families early in September. On September 17th the west Germans will go to the polls to elect a new Bundestag.

All in all, it is scarcely surprising that most of the 519 deputies have left Bonn feeling pretty confident that they will be back again in the autumn. Some of them, celebrating in the parliamentary club at the close of their last hectic day of work, broke into a ditty much in vogue in Germany these days: "*Wir wollen niemals auseinandergehen*"—"We don't ever want to part from each other." Their glow of self-satisfaction may have been subsequently dimmed by the newspapers' cold appraisal of their four years' performance. "The legislative period of missed opportunities," one commentator has put it. Another says, "The last four years have been distinguished from the previous eight by a stylised boredom." Much worthy work has been done—to the tune of 430 new laws passed, in addition to some patching of faulty laws of earlier making.

Yet on the whole the criticism is true; this has been a boring parliament, in which little has been done to stir the public imagination, and in which few deputies have enhanced their reputations. The memorable but ominous highlights have been the approval in 1958 of nuclear arms (delicately labelled "the best modern weapons") for the Bundeswehr; Herr Wehner's speech a year ago through which the Social Democrats recanted their objections to west German membership of Nato; and the arrest in the Bundestag this year, and conviction at Karlsruhe for espionage, of the trusted, elderly deputy Alfred Frenzel. The legislation on which the deputies probably most pride themselves includes the taxation reform of 1958, which brought substantial relief to married couples both of whom work; the transfer of the Volkswagen works to private ownership through an issue of "people's shares"; and two laws regulating the progressive abolition of forty-year-old rent restrictions, and establishing order in urban building somewhat on the lines of Britain's New Towns Act.

The catalogue of missed opportunities is longer than that of outstanding achievements, and in the circumstances is perplexing. A party commanding (for the first time in German history) an absolute majority in parliament, and led by an authoritarian Chancellor, failed in its attempts to obtain special powers to deal with a public emergency; to make badly-needed readjustments in the sharing out of central and state government revenues; to reform the penal code and the national health insurance system; and even to rearrange the seating in the Bundestag after the model of the House of Commons. The generally accepted explanation of these setbacks is not reassuring. Confusion and delay were caused partly by the influence of the many pressure groups working in Bonn on behalf of minority interests, and partly by the obstructive

pedantry of departmental experts, legal and technical, who were called in to advise the several Bundestag committees examining draft legislation. An immense amount of the dispersing Bundestag's work was done behind the scenes in committee: there were only 166 plenary sessions, compared with 221 in the years 1953-57. The Bundestag president's plan to stimulate debate by arranging for the government and opposition parties to face each other in the chamber was frustrated by some who objected to the cost and by others who feared that such a neat disposition of forces would foster the growth of a two-party system.

British observers cannot but think that any disadvantages that Dr Gerstenmaier's proposed innovation might entail would be amply offset by the advantages. The standard of speaking in the Bundestag is at present depressingly low. Deputies invariably read their long speeches. Few ever try to make themselves interesting and audible, or to avoid the cloggy swamps of the German language. Some of the ministers—the mumbling Herr von Brentano, for instance—are the worst offenders. The impression taken away by visitors—mostly students, who are encouraged to attend in large numbers—can seldom be a happy one. The German press is sometimes reproached for not reporting parliamentary affairs more fully. But deputies do little to provide reporters with quotable wisdom, or even folly. The west German public is aware, nevertheless, that with all its yawns and failings their Bundestag is a far, far better thing than east Germany's questionably elected, rubber-stamping Volkskammer.

At the Bundestag's last plenary session, a statement on Mr Khrushchev's latest threat to German unity and the liberties of west Berlin was read by the president and approved unanimously. Dr Gerstenmaier spoke with force and dignity. He had the grace to begin by recalling that it was twenty years ago to the day that the Germans had launched their invasion of Russia, but, recalling also that 2,633,103 persons had fled from eastern to western Germany since the war, Dr Gerstenmaier pleaded that the lasting peace which everybody wanted could not be founded on the present division of the nation against the will of the people. The government of "the so-called German Democratic Republic," he said, could be described at best as "an auxiliary organ of the Soviet occupying power." The west Germans would welcome a peace conference, but not one at which it had been settled in advance that Germany should be perpetually divided.

The next Bundestag, which is to be elected on September 17th, has already been summoned to meet at 3 p.m. on October 15th, and its first major business will be to elect the Chancellor. There is now scarcely any doubt that he will be Dr Adenauer again, not Herr Brandt, the comparatively young hopeful whom the Social Democrats so bravely acclaimed as their alternative at the party conference in Hanover last November only a few days after a man of nearly the same age had been elected President of the United States. Herr Brandt is stamping the country indefatigably: so indefatigably that some Berliners are complaining, not wholly

for patriotic reasons, of their Burgomaster's absence in this critical hour, and Herr Schröder, the ambitious minister of the interior in Dr Adenauer's cabinet, has giped: "The city's name is Berlin, not Brandt." But economic, political and sentimental circumstances are mostly against Herr Brandt, at least for the time being.

What still remains unpredictable is how long the 85-year-old Chancellor—the only one the Federal Republic has experienced in the twelve years of its existence—will want or be able to stick it out. To the amusement of some, the vexation of others, and the indifference of the majority, Dr Adenauer is, as usual, keeping his own counsel. He has lately dropped remarks which have suggested to some listeners that he is toying with the idea of forming a new ministry of European affairs, and another to

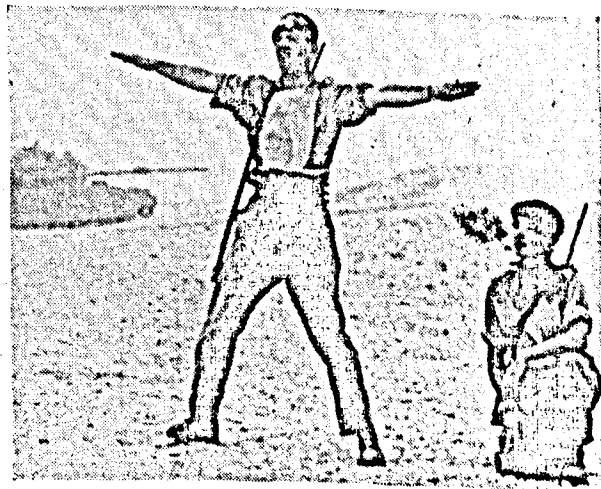
administer aid to undeveloped countries. The possibility that he may have to form a coalition with the help of the Free Democrats, and would then require some new offices to distribute, is probably behind Dr Adenauer's ruminations. Beyond these nebulosities, his plans for changes are unknown. But it is hardly credible that Dr Adenauer himself will remain in office until 1965. Before long someone else will have to take over. Who? And for how long? Eastern and western statesmen are deceiving themselves if they really believe that by formally arranging partition they will ensure the continuance of docile parliaments and public opinion in Germany. Somewhere—it may be in western Germany, it may be in eastern—a rabble-rouser is surely awaiting his opportunity to exploit the nation's sense of injustice.



Kuwaiti defenders . . .

Secure Behind the Shield

FROM OUR MIDDLE EAST CORRESPONDENT



. . . British protectors

WAR clouds over Kuwait are disappearing almost as fast as they blew up. The Iraqi army has failed to materialise on the Kuwaiti frontier and the British have succeeded in deploying a small army of considerable fire power in defence of the sheikhdom. Three days after the first British troops arrived, their commanding officer declared that he was satisfied he could deal with any Iraqi attack. Since then, the build-up has continued and helicopters are as busy as bees. British troops in forward areas are suffering with characteristic enthusiasm the oven-like heat, which is aggravated by a severe sand-storm sweeping across an almost waterless desert. "Sand," reflected a marine as he surveyed the swirling desolation around him, "it gets into the bloodstream and comes out in bloody big boils."

It is arguable that if General Qasim had really meant to seize Kuwait by force, he would have acted first and talked afterwards. His choice of the opposite course suggests that he wanted to test Kuwaiti courage and the reaction everywhere else. Since he can no longer be in doubt on any of these points, the likelihood of an Iraqi invasion, always faint, has receded still further. Any lurking doubts that remain stem from General Qasim's own unfathomable character. Will he come down to earth or will he remain hitched to his wayward star? In the circumstances it is difficult to criticise the ruler of Kuwait for appealing for help.

One of the most gratifying features of the operation so far has been the warmth of Kuwaitis—not only government officials—towards the British forces. It is thirty years since a British soldier trod Kuwaiti soil. But the irony of a situation in which the British landed in force within a few days of the independence celebrations has not escaped notice. The question that is being asked with the greatest insistence in Kuwait today is not whether General Qasim means business, but when the British will leave. This is asked by the Kuwaitis without bitterness. It is a question that arises from the exceedingly odd situation in which Kuwaitis, British and Saudis stand shoulder to shoulder against another Arab state.

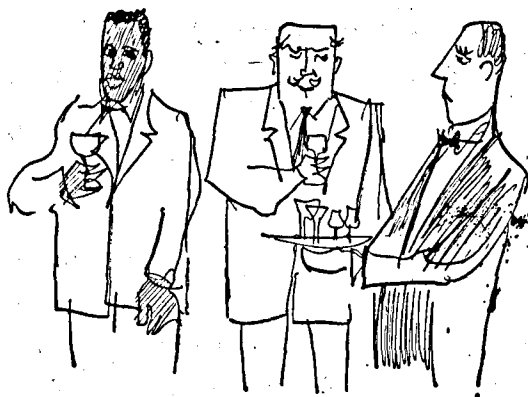
When confronted with this question, the ruler of Kuwait stated that the British would leave immediately the threat to Kuwait's independence disappeared. He laid the responsibility for the British presence firmly on General Qasim's head. It is taken for granted that the British will stay at least until the middle of July, when Iraq celebrates the anniversary of its 1958 revolution. This is traditionally an occasion for speeches in the course of which General Qasim may clarify his position or, more probably, obscure it in a flood of words, until it ceases to be a position at all. In any case, it should be possible in two weeks' time to form a tolerably accurate estimate of the general's intentions.

Kuwait seems to have profited already from the brief ordeal to which its mixed population has been subjected. The confusion and improvisation that marked the early days of the crisis have been resolved in an orderly fashion. While appealing to the Arab League, Britain and the United Nations, the ruler has discouraged excesses of enthusiasm within his sheikhdom. The press has been enjoined against needlessly provoking General Qasim, and the mass demonstrations that were originally planned for last Saturday were quietly called off with the suggestion that it would be better for people to register in their districts for volunteer duty. When asked why the distribution of arms to volunteers had been stopped, the ruler replied that it was useless to give arms to untrained men. A report, originally attributed to the Kuwaiti representative in Cairo, that a state of emergency had been declared in the sheikhdom has been categorically denied.

Now that the nervousness of last weekend has died down, it is difficult to find in Kuwait any trace of emergency conditions, except in those areas, relatively far from the town, where military movements continue. The accent here is rather on business continuing as usual. Feeling increasingly secure behind the shield of integrated Kuwaiti-British forces, the sheikhdom is awaiting developments in New York with confidence.

Mixed Drinks in Salisbury

FROM A CORRESPONDENT



ONE month of campaigning against the colour bar in Southern Rhodesia was celebrated in the Ambassador hotel, Salisbury, on July 2nd at a party attended by thirty people of all races. Until then the hotel had catered for Europeans only. It was the first target of the 200 black, white and Asian campaigners and sitters-in who have brought a new kind of politics to the country. For many months the Greek proprietor of the Ambassador, Mr S. E. Pafitis, had toyed with the idea of applying for a multi-racial licence under the 1959 Licensing Act, but he was afraid of his white customers. When the anti-colour bar campaign started, hotel proprietors were faced by the prospect of public ridicule. Mr Pafitis took the plunge. Moral pressure on segregated big business, and thus on the government, is the campaign's main claim to success.

The sit-in started spontaneously at the central African trade fair in Bulawayo in May, when three Africans were turned out of a restaurant as "dirty kaffirs." They resisted. Surprisingly, two Europeans promptly came to their rescue. Encouraged by this small victory, a young bank clerk, Mr Artwell Bukwe, organised a sit-in at the OK Bazaars' snack bar. Within two days the bar was converted into a cash-and-carry counter for all races, and Mr Bukwe had been acquitted by a local magistrate on a charge of trespass.

Southern Rhodesia's attorney-general has stated publicly that the restrictions in the Land Apportionment Act do not apply to places of public entertainment. In Salisbury, Dr Terence Ranger, the secretary of Christian Action, has suggested to his group that positive and practical action now be taken against the colour bars. At the same time, but acting separately, the African National Democratic Party has planned to invade all-white establishments. The Christian Action campaign was well planned; £100 was raised from supporters and sympathisers to finance trips on Salisbury's segregated bus services, as well as meals in hotels and restaurants (only the Jameson hotel serves Africans), haircuts in all-white saloons, and the use of other segregated facilities. But the NDP campaign was not properly planned; as a result, in the early stages, Mr Lovemore Chimonyo, the leader, found his sitters-in in a library that was not segregated, in a bar with an under-aged girl, and in an expensive hairdressing saloon without money.

Whatever the mistakes, the intelligent section of the Rhodesian public, lulled into apathy by government and press pronouncements on "partnership" between the races, was shocked by the extent of race discrimination unearthed by the campaigners. Southern Rhodesia's race barriers are painful to the Africans, enforced by proprietors, glossed over by the government, and taken for granted by most Europeans. This is because, in contrast with South Africa, the apartheid is disguised. There are no "whites only" notices on public buildings now—they have been removed. But in most cases the policy has not changed. The notices read, "right of admission reserved" or, rather innocently, "public convenience." It is left

to the Europeans to understand the invitation and to Africans to know that they are not "the public." The Salisbury city council has laid such emphasis on the need for separate lavatories that the University College has been unable to use a recreation centre built on the campus for them by a firm of brewers. Even the Rhodesian railways, run by the government, have not been able to employ newly-trained African firemen on long routes because of that seemingly simple problem.

The sit-in campaign has so far achieved three things. First, it has compelled business men to take a new look at their practice of segregation. Several hotel proprietors have met Dr Ranger's committee of citizens against the colour bar at their own request and are now reported to be thinking hard. They have no strong arguments on the side of segregation in common law or in the declared Rhodesian policy of "partnership," however faulty and theoretical this may be. The fact that Northern Rhodesian proprietors have not lost business with the disappearance of the colour bar is another strong point against their southern counterparts. Many are waiting for a lead from Meikle's Trust, which owns the largest chain of hotels and stores in the country. The second main achievement is the desegregation of the Ambassador hotel, Salisbury Garden tea-rooms, the children's playing fields, and the lifts and food counter of OK Bazaars (the largest department store in Salisbury). The United Bus Company has announced a non-racial policy. Thirdly, the campaign has raised the morale of those Rhodesians who oppose the colour bar but did not previously know how to register their protest.

The committee chairman has received encouraging letters from a highly-placed civil servant, among others. Police have been conspicuous by their absence from demonstrations, the government has stood aloof (the secretary for justice, Mr J. W. Pithey, said the government would end racial censorship of films in August—after the referendum) and the reaction of the public generally has not been hostile. The reception of sitters-in has always been polite, except at a bar in the African township where drinkers complained that Europeans should not come into their pub while Africans were not allowed in European hotels. The committee chairman has received threatening letters from the banned but still active Rhodesian Republican Army. He has also had one from a European who signed himself as "Disgusted" and wrote: "Africans are savages and slaves—that is what they are and will always be."

Premier Found Guilty

FROM OUR HELSINKI CORRESPONDENT



Mr Sukselainen's conscience

FINLAND'S 200 members of parliament were on holiday, bathing and fishing in the country's lakes, when last week's political time-bomb went off. After a case that had been in progress more than a year, the Helsinki court of appeal ordered the prime minister, Mr V. J. Sukselainen, to be removed from his post as director-general of the Pensions Board. Three directors of the board, together with

the president of the Supreme Court of Administration, Mr Reino Kuuskoski (a former prime minister) were also removed from office. The case arose out of reported irregularities in the board's housing operations; employees of the board were alleged to have been lent money at unduly low rates of interest so that they could get homes cheaply.

Mr Sukselainen handed his resignation as prime minister to President Kekkonen on June 29th, the day after the court's decision. Although the supreme court, to which he will appeal, is expected to reconsider the sentence passed upon him, Mr Sukselainen appreciates that the position of his Agrarian party would suffer if he stayed in office—even though it is generally felt that he did not deliberately help in breaking the law. The reaction of Finns has been an odd mixture of shock and indifference. A good many "irregularities" have been discovered in administrative bodies since the war, and officials whose activities have been investigated have not always had the courage to resign. In other countries, similar cases would lead to immediate resignation or dismissal, but in Finland it has become usual to continue in office and disregard public opinion. By contrast, Mr Sukselainen, a likeable man, has not hesitated to follow his conscience. Even his opponents have hastened to acknowledge his merits and regret the way in which his political career, at least for the time being, has come to an end.

The affair has also brought the end of Finland's 45th government in its forty-three years of independence. The minority cabinet which Mr Sukselainen headed, consisting solely of members of the Agrarian party, was formed in January, 1959, after a crisis in Finnish-Soviet relations during which Mr Khrushchev made it clear that he disapproved of the coalition cabinet that preceded it. Now the battle of the parties is resumed. A presidential election is due on February 15th next year, and it will be followed by a general election in the summer.

Undoubtedly last week's court decision means a loss of prestige for the Agrarian party, whose chairman Mr Sukselainen is. It is also embarrassing for President Kekkonen, himself an Agrarian, who is the party's candidate in next February's election. This embarrassment is increased by the fact that it was Mr Olavi Honka—Mr Kekkonen's foremost rival for the presidency and an ex-attorney-general—who drew attention to the building operations of the pensions board in a report last year.

WHAT happens next? After the resignation of Mr Sukselainen, the opposition parties predictably suggested negotiations to see if a coalition cabinet could be formed. President Kekkonen and the Agrarian party may prefer to continue with a minority cabinet as a temporary solution—at least until next summer's parliamentary elections. Nevertheless, a good many people wonder whether the time has not come for Mr Kekkonen to establish closer links with the opposition in the national interest. Those who know the president report that he would like to regain the confidence of the opposition parties. It is said that the opposition is in no hurry to co-operate with the man who will be opposing their presidential candidate next February. But it cannot be sure that even the election of Mr Honka would result in the coalition it dreams of.

It is clear that President Kekkonen, relying on his popularity in Moscow, could appoint a coalition cabinet with a substantial parliamentary majority without fear of drawing down Russian retaliation in the shape of trade restrictions on Finland's head. Alternatively, if the Social Democrats preferred to stay out of the government, he could appoint a cabinet of the "bourgeois" parties alone, which would be in a very slight minority in the Diet. On the other hand, even if Mr Honka wins the presidency next year, it is likely that the communists will attack a cabinet appointed by him—perhaps with the same result as in 1958, when the last coalition fell.

General Pak's Preferment

FROM OUR CORRESPONDENT
RECENTLY IN SEOUL



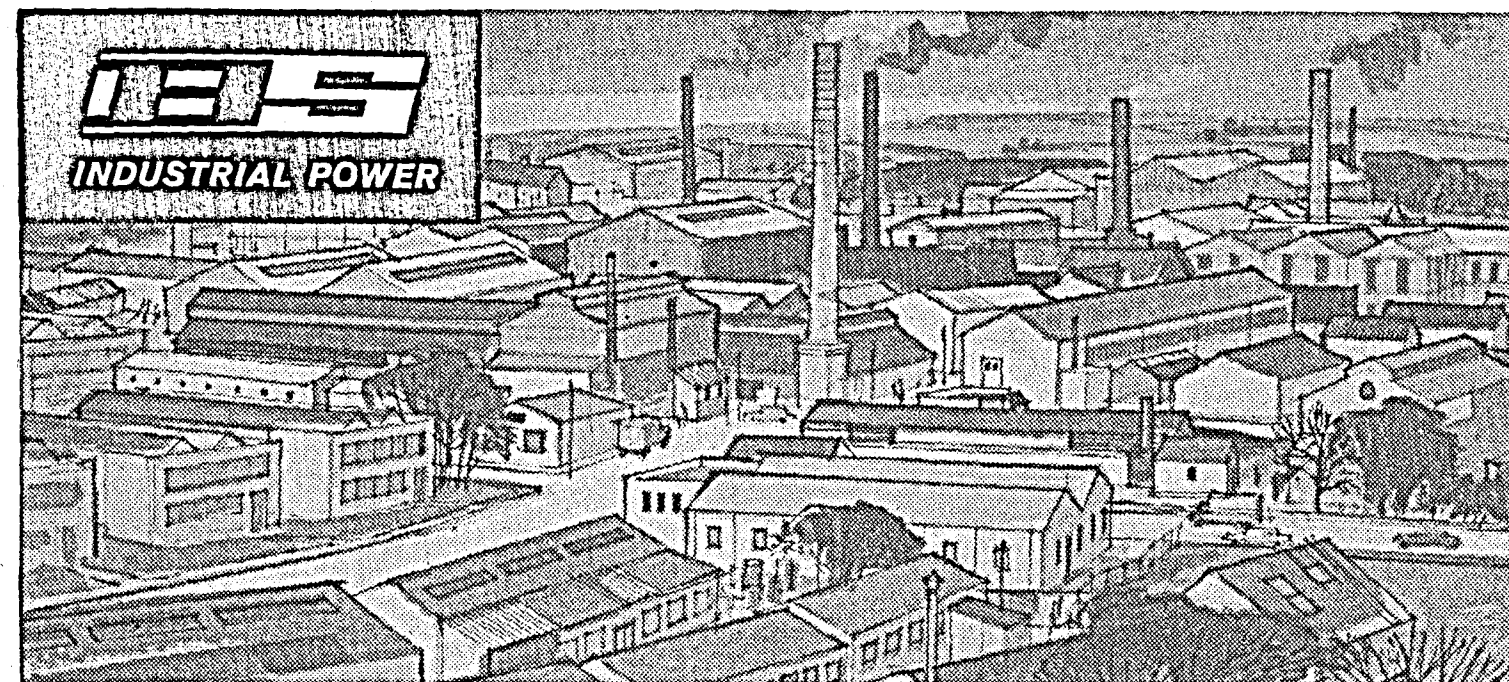
General Pak: out in front

AFTER six weeks, it seems safe to predict that, unless there is a monstrous miscalculation, the South Korean military coup will not develop along the lines of Captain Kong Le's revolt in Laos. Undoubtedly there were elements of nationalism and anti-Americanism in the limited Korean revolt, and the same righteous "throw-the-rascals-out" mood. But the causes were far more complicated than those in Laos. They included the frustrations of young officers who saw no hope of action or promotion; a weak and inefficient central government; impatience with some aspects of American aid; a discontented civilian population and smouldering student unrest; and a communist scare.

This alarm about the spread of communist influence—even if originally exaggerated and later deliberately magnified—is perhaps the most distinctive feature of the revolt. Western observers who fear that this week's take-over of power by General Pak presages the splintering of the 31-member military junta into rival factions, still do not believe that any of these factions would make a deal with the North Korean communists. The assorted generals and colonels who have been retarding the progress of "national reconstruction" with their conflicting ideas are all dedicated anti-communists; the majority are expatriates from North Korea. The first move of the new leadership this week was to announce its plan to arrest Dr John Chang, the former prime minister, on suspicion of "links with North Korean communists."

Strangely, the only leader with an equivocal record is Major-General Pak, who on Monday replaced Lieutenant-General Chang as chairman of the Supreme Council for National Reconstruction. General Pak, who always had more influence than his predecessor, was once convicted but later absolved of suspected collaboration with North Korean communists. He is supposed to command more individual support among junta members—especially the colonels—than the less dynamic General Chang. Until this week relations between the two leaders appeared cordial and unrestrained. Neutral South Korean intellectuals insist that the pair are close and devoted friends. In Korea, however, this assurance—as disillusioned American military chiefs now warmly agree—can never be regarded as permanent.

There is no doubt that the planner of the May coup was Colonel Kim Chong-pil, a young, able and ambitious officer who, as undisputed head of the secret police and intelligence operations in the new regime, is probably now the most powerful individual in South Korea. American military authorities are understandably bitter over the coup, which imperilled the security of the front line and has revived the distrust that ex-President Syngman Rhee provoked when he defiantly released communist prisoners held by the United Nations forces in Korea. There can be only surface goodwill

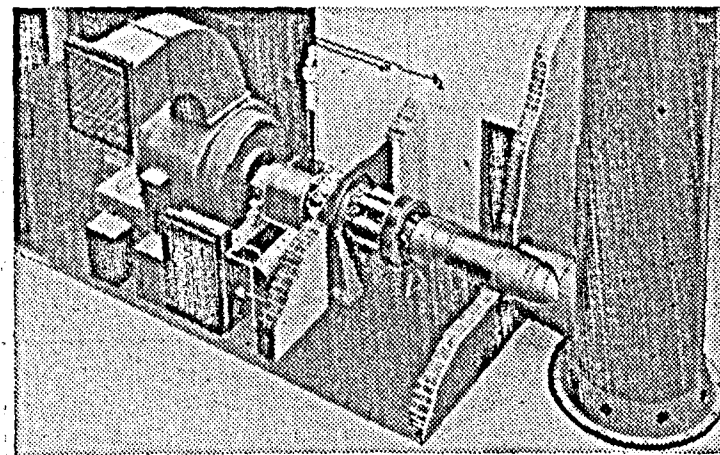


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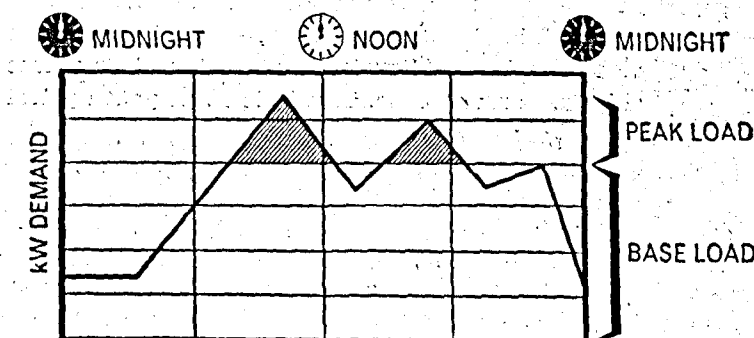
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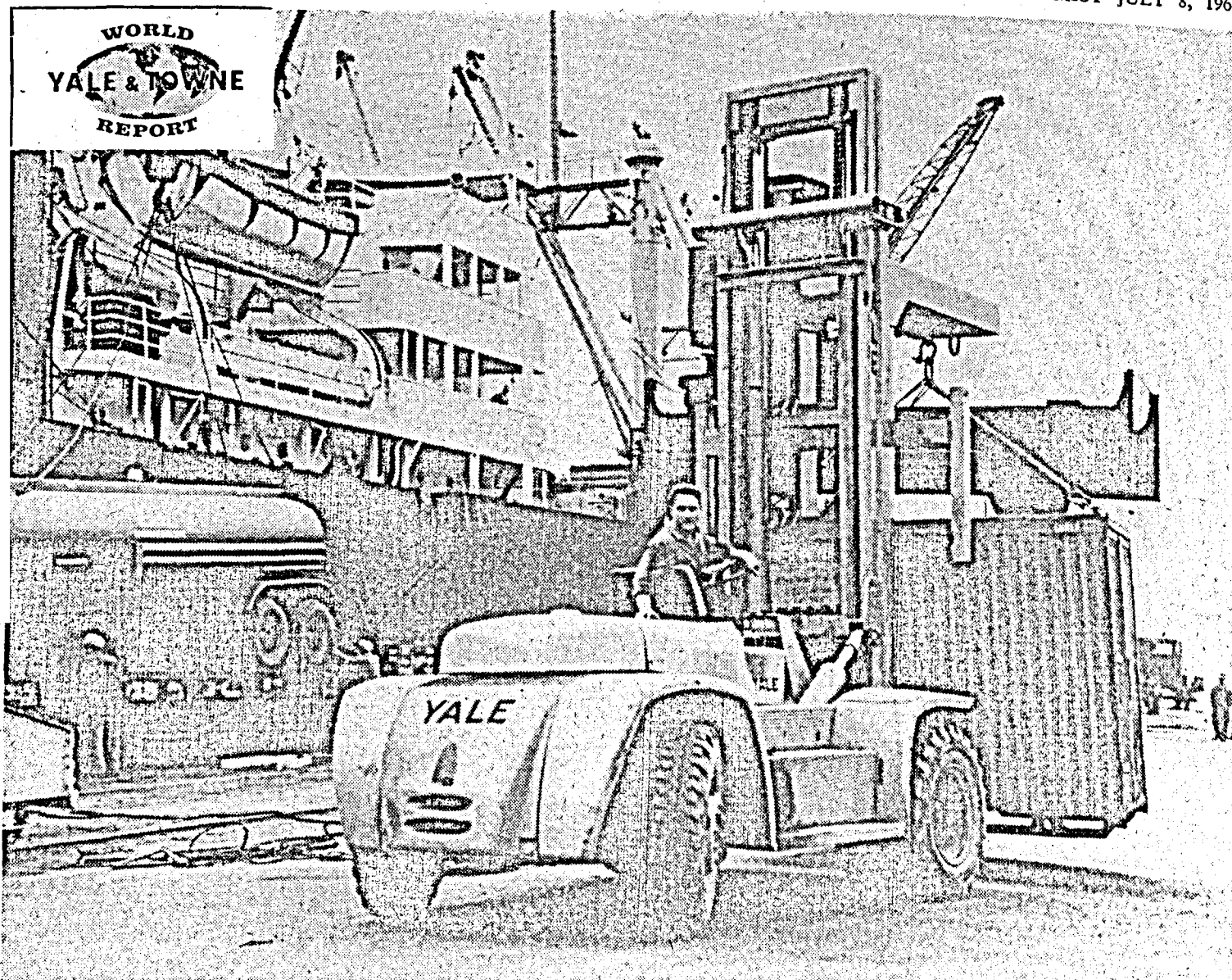
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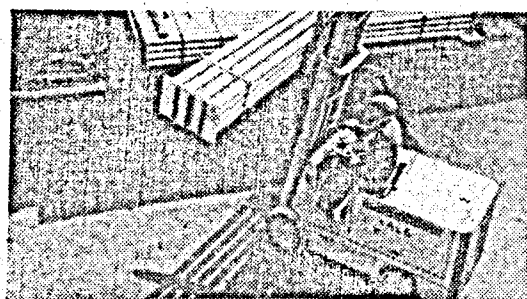
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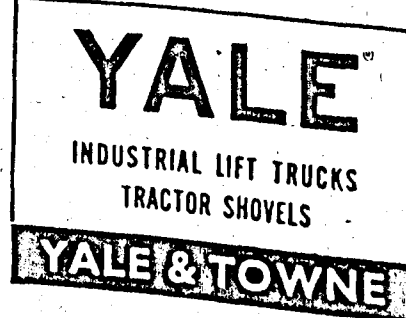
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between the American command and the South Korean military junta until the release of the two front-line generals, four corps commanders and eight other senior South Korean officers who, in the crisis, remained loyal to General Magruder and who as a result are still imprisoned. Even this gesture will not restore the old trust and full harmony.

Despite the anti-communist mood of the country, American military plans now provide, for the first time, for strategy and tactics in the event of a North Korean attack. They visualise such an attack as being helped, first, by "anti-foreigner" riots inside the country, and, secondly, by major defections to North Korea from a bewildered and disunited South Korean army. The United States has two new and impressive leaders in Seoul: General Guy Meloy as military commander and Mr Samuel Berger, a career diplomat, as ambassador. The attitude of General Meloy, a Korean war veteran of disarming and deceptive benevolence, has been toughened and sharpened by his experience during the mutiny of 5,000 South Koreans at Seoul. Ambassador Berger, an intelligent liberal who suffered during the McCarthy period, is one of the State Department's Far Eastern experts. After a period of exile in New Zealand, he has made a vigorous come-back by way of Greece, where the difficulties of a proud and impoverished nationalism have been useful preparation for the troubles of South Korea. His urgent and delicate task is to help the military junta find its feet, while reconciling himself to the unhappy fact that democracy in the western image still remains a dream in South Korea.

Jobs for Whose Boys?

FROM A CORRESPONDENT AT TURTLE BAY

OVERSHADOWED by the more melodramatic activities of Mr Nacvalac (the Czech delegate to the United Nations accused of espionage), the recent report of a committee of experts on the UN Secretariat has barely impinged on the world's consciousness. More will be heard of it before the year is out; for its submission to the next General Assembly may be the signal for the biggest Soviet onslaught to date on the secretariat in general, and on Mr Hammarskjöld in particular.

The recommendations of the committee are hardly revolutionary. Briefly summarised, they mean that in the next two years at least 100 more professional posts in the secretariat would be offered to nationals of the Soviet block; while a sizeable number of additional jobs would also go to Africans and Asians. Thus the geographical lop-sidedness of the present staff would be largely redressed. A majority of the committee (the eight experts, from Britain, the United States, Russia, France, India, the United Arab Republic, Ghana and Colombia, found unanimity virtually impossible) recommended a new formula for allocating the professional posts in the secretariat among the 99 member nations. Under this formula, the population of each country would be a factor in assessing how many staff posts it should be allotted; at present, the "desirable" national quotas are based solely on the amount each country pays to the UN budget. Under the new system, every country should have a basic minimum of two staff members; thereafter, one staff member should be recruited from each country for each ten million of its population up to 150 million, and an additional staff member for each 30 million population in excess of that; the remainder of the available posts (about 1,000) should be allotted in accordance with budget assessments.

This scheme would mean that the Soviet block, whose nationals at present hold only 87 of the 1,360 posts in the category concerned, would be entitled to 253 (a target figure that hardly differs from the present "desirable" entitlement of between 214 and

305); Americans would be entitled to 366 posts (they now hold 359); and some African and Asian states' representation would be greatly increased. Hardest hit would be western Europe (which, for this purpose, extends from the United Kingdom to Greece and Yugoslavia); there the new "target" figure would be 317—against the 415 posts held at present. Britain's quota would be only 90; at the moment 140 Britons are employed in this category. Perhaps not surprisingly, some western delegations view the committee's suggestions with visible caution.

The significance of the report, however, lies less in the statistics than in the diverging political theories expressed, or implied, by the far from unanimous experts. The "troika" concept has been clearly rejected—despite ardent pressure by the Soviet representative, Mr Roshchin, who sought not merely that Mr Hammarskjöld be replaced by a tripartite executive, but that the entire secretariat be staffed on the "troika" formula—one-third from the Soviet block, one-third from the western allies, and one-third from the neutralists. A minority of one, Mr Roshchin hammered home his views, together with the Khrushchev thesis that there are no "neutral" men, in a voluminous appendix; and, into the bargain, made clear that the additional 100 jobs do not begin to satisfy Moscow's demands. The Russians' under-representation is, of course, largely their own fault. Broadly speaking, the conditions for service in the UN have been willingness to devote at least a reasonable period of one's life to the organisation; and willingness to become an international civil servant. The Russians have complied with neither condition.

It would be rash, however, to write the "troika" concept off, merely because of its rejection, in its Soviet form, by the majority of the experts. The germ of the idea is clearly detectable in the proposal put forward by the representatives of India, Ghana and the UAR: that three top-level deputy secretaries-general be appointed. Because this is milder than the Khrushchev concept, it is regarded in some western circles as more dangerous. The sponsors recommend that in selecting this triumvirate, the Secretary-General should take into account "the main political trends in the world today"; which seems to the Americans like the thin end of the wedge. Western critics of the idea argue that the authority of the Secretary-General would inevitably be reduced, and confusion and weakness would appear at the top—which, they claim, is what the Soviet Union wants.

MR HAMMARSKJÖLD has now published his comments on the committee's report. He shares its view that more posts should go to the new African member nations, and to the communist countries; but he recalls that his efforts to get the latter to fill their quotas have usually run into "difficulties." He condemns the Russian "troika" demand both as violating the Charter's requirement that UN staff should owe an undivided loyalty to the organisation alone, and as replacing geographical distribution by an ideological formula; he points out that "many of the states included in one or another category may not wish to be thus labelled." His own plan for reshaping the top level is to replace the present 13 officials of under-secretary rank with 9 administrative under-secretaries and 5 political assistant secretaries, one of the latter being American, one Russian, and the other three from "uncommitted" states; while Britain, China and France would have nationals among the 9 under-secretaries. Last week an Indian under-secretary, Mr C. V. Narasimhan, replaced an American, Mr Andrew Cordier, as executive assistant to the secretary-general. Mr Cordier's unrivalled experience of saving the Assembly from tying itself into procedural knots will, however, be available for at least one more session, as he has accepted a special assignment for that purpose.

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State, Municipal and Public Securities	540,859,750.78
Other Bonds and Investments	34,864,800.36
Loans	2,241,146,158.33
Banking Premises and Equipment	52,653,247.23
Customers' Liability on Acceptances	167,769,491.61
Accrued Interest and Accounts Receivable	19,695,087.41
Other Assets	6,643,918.59
	<u>\$4,632,428,030.47</u>

LIABILITIES

Capital Stock (\$12. par)	\$ 101,719,080.00
Surplus	248,280,920.00
Undivided Profits	71,517,427.42
Reserve for Contingencies	10,082,211.97
Reserves for Taxes, Expenses, etc.	27,999,359.73
Dividend Payable July 1, 1961	5,509,783.50
Acceptances Outstanding (Net)	170,352,033.63
Other Liabilities	16,800,545.46
Deposits	3,980,166,668.76
	<u>\$4,632,428,030.47</u>

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AMERICAN SURVEY

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State, Church and Children

WASHINGTON, DC

EDUCATION is an explosive compound which politicians in most democracies handle with a caution born of much tragic personal experience. The United States, where education has traditionally been a function of local communities and of the states, is no exception. President Kennedy's proposals for aid from the federal government to education, moderate as they looked five months ago, possessed enough deadly ingredients to blow unwary Congressmen clean out of their seats. Then the main hazard was assumed to be the coalition of conservative Republicans, who oppose increases in either federal interference or federal taxes, and of the southern Democrats who have voted down previous education Bills because aid would have been withheld from tax-supported schools which maintained a colour bar. But the Administration calculated that it could coax its proposals through the House of Representatives once its supporters had won control of the strategic Rules Committee (which can prevent Bills unpopular with conservatives or with Congressmen generally from ever reaching the floor of the House) and once Mr Powell, the champion of civil rights, had agreed not to insist on federal aid being denied to any school which bars Negro children.

But, as so often, the storm then struck from another quarter. No sooner did it look as if, at long last, a Bill to provide federal aid for public education could be passed than the Roman Catholic bishops demanded that their own church schools should also receive such help. Thus they locked horns with the country's first Roman Catholic President, who retorted that federal grants to church schools would violate the First Amendment to the Constitution; this prohibits any law "respecting an establishment of religion." The result has been a brawl between vested interests—religious, racial and political—lasting over four months, which has temporarily cost the Administration its hard-won control of the Rules Committee, has held-up all education Bills whether controversial or not and has created an acrimonious atmosphere in Congress which casts a shadow over the remainder of Mr Kennedy's domestic programme.

Underneath this struggling heap, of course, are the needs of the children. Official surveys show that, although naturally the position varies from state to state, the country-wide shortage of classrooms, at 142,000, remains the same as in 1957; it would cost about \$5 billion to remedy this. There is also a shortage of 138,000 teachers, which is reflected in the familiar pattern of oversize classes, part-time attendance, shift-teaching and under-education. On top of this, there

is an even more serious shortage of qualified teachers, particularly of science and mathematics. Yet the combined spending of the states on education rises by nearly \$1 billion every year. And in the next decade the high school population will increase by over 40 per cent, the college age group by nearly 60 per cent.

Even Republican Administrations have had to take remedial steps which may already have smirched the purity of state sovereignty. These have been in two main forms. The first is a series of federal subsidies for education in areas in which the federal government has set up defence installations (which pay no state taxes); these are the very broadly drawn "impacted areas." The second is the so-called National Defence Education Act, which was passed after the Russians launched the first sputnik to provide federal funds for school facilities for the teaching of mathematics, science and languages; physical culture is now to be included. These existing federal buttresses to education are due to be renewed and strengthened by the Kennedy Administration, which wishes to add to them aid for college students (notably to train more physicians). But the explosive part of this year's package (which in all amounts to about \$6 billion) is a further Bill which would provide federal funds, totalling about \$2.5 billion over three years, to be used at the discretion of the states for the construction of classrooms, for raising teachers' pay or for recruiting more teachers. Under the version of the Bill which the Senate has already passed this would provide about \$850 million in the first year. Roughly this would permit the construction of 7,000 new classrooms plus

the raising of the average teacher's salary by \$400 a year (about 8 per cent) or the recruitment of 11,000 new teachers.

Measured against needs, even the "big Bill," as it is called, may seem modest. But its conservative critics fear that the states would become steadily more dependent on this aid and that both the federal contribution and the federal taxes to defray it would increase. Federal taxes, unlike state ones, are generally progressive in character and thus hit particularly those who usually vote Republican. The upholders of states' rights, led by ex-President Eisenhower, flourish the bugaboo of federal control of education, asserting that when Washington is paymaster it will want to interfere with the curriculum.

To the troubled consciences of the conservatives are added the fears of the Roman Catholic hierarchy, which sees that if the tax-supported schools improve the church schools will be less and less able to compete with them. These "parochial schools," both elementary and secondary, are also hard hit by rising costs and by the shortage of teachers.



Some 4,800,000 Catholic children attend such schools, while only 200,000 go to Protestant church schools. The Catholic schools are fast falling behind; in the next decade disaster looms unless they can secure help.

The 88 Roman Catholic members of Congress were therefore put under heavy pressure and letters, organised by the clerics, poured on to Congressional desks, addressed particularly to those northern liberals who have narrow majorities in their districts and many Roman Catholic constituents. Such tactics aroused the Protestants, in their turn, and produced a flood of remonstrances which are particularly embarrassing to the southern Democrats with their big Protestant followings. Faced with the prospect of worsened Catholic public relations, Cardinal Spellman stepped reluctantly back to the position he would perhaps have been wiser to adopt at first.

He begged the lawmakers to use their "ingenuity" to get round the First Amendment. They have been trying to do this for months; after various failures, the "ingenuity" takes the form of an amendment to the National Defence Education Act, under which private and parochial schools can get low-interest, 40-year, "soft" loans to carry out the purposes of the Act. This means that they may be used only for gymnasiums, cafeterias and classrooms for mathematics, science and foreign languages. However, the church's handicap in providing a competitive but "God-centred" education would be much reduced; some \$375 million may be lent over the next three years.

Last month two Roman Catholic Democrats who are members of the Rules Committee joined the anti-spending forces of both parties on it to hold up the main Bill until this NDEA Bill was cleared. Fortunately the Administration has a lever to force both the Rules Committee and the House to approve the main Bill. This is that it also includes the authority for educational aid to impacted areas, which must be renewed this year. No "big Bill"—no more aid for impacted areas. At this point both Catholics and Baptists begin to quail, for the aid to impacted areas affects 313 Congressmen and amounts, as augmented in the new Bill, to \$936 million for three years.

There is no certainty, however, that, if the Rules Committee releases the main Bill to the House floor first, the vital concession to the Roman Catholics in the NDEA Bill would survive the Protestant attack in the House afterwards. So the Roman Catholics on the Rules Committee are demanding that the NDEA Bill should go forward first. Unluckily, a majority on the committee seems likely to oppose clearing this Bill at all. This deadlock is not unwelcome to many Congressmen, who by now would be thankful to blame the Rules Committee for the failure of all the education Bills—except for the money for impacted areas, which they simply must have.

The Administration is still confident that the "big Bill," dragging the others after it, will pass somehow. One thing is clear: eight months after the election of a Roman Catholic President was supposed to have signalled a great step forward in religious toleration the Roman Catholic church is more vulnerable than ever to the charge of political interference and sectarian feeling was never more violently inflamed.

Reluctant Injunction

THIS week a President who voted against the Taft-Hartley Act in Congress in 1947 and a Secretary of Labour who fought it in the Supreme Court in 1959 were forced to use that unpopular Act, and thus to displease the whole labour movement, in order to get back to work the 70,000 sailors who had kept all American shipping in port for eighteen days. Even as Mr Kennedy and

Mr Goldberg were asking the courts to issue an injunction against the strike under the emergency provisions of the Act they were still criticising it, pointing out that the present situation was another illustration of the need for more flexible procedures for dealing with labour disputes and that shortly they would be asking Congress to modify the law. Particular objections are that the fact-finding board which is set up under the Act to study this complex dispute is not allowed to recommend a settlement and that after eighty days, when the injunction has expired, the government will have no power to stop the unions striking again—as they threaten to do in late September.

The injunction under which ships have been putting to sea this week is only a temporary one, to be made permanent for the full eighty days on Friday unless the unions succeed in convincing the judge that Mr Kennedy is wrong in believing that the national



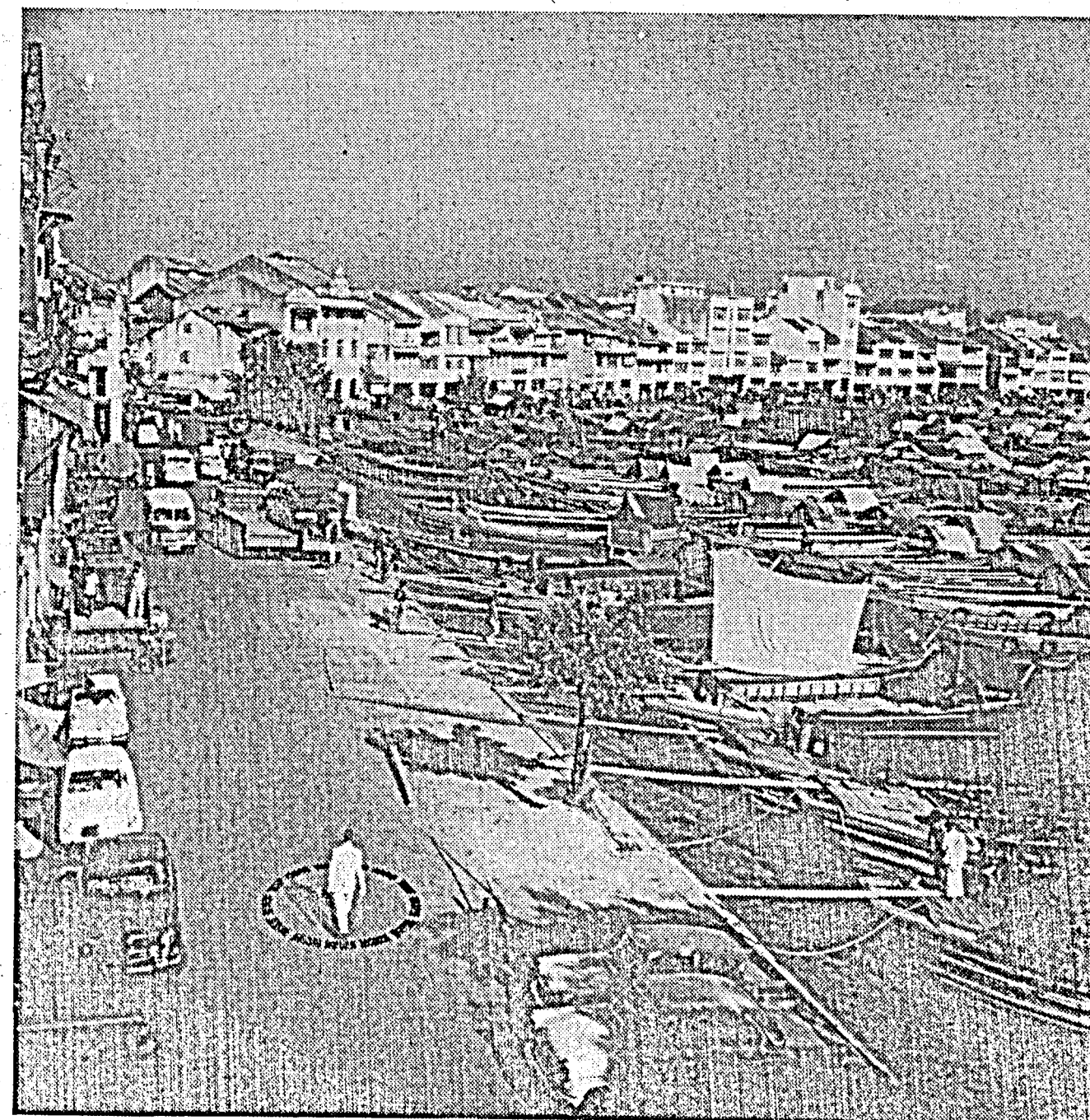
Maritime Mavericks

health and safety have been imperilled by the strike. But no judge is likely to argue with the President about this. Nor are the masters, mates and engineers, without whom ships cannot sail, likely to succeed in delaying the injunction by their contention that as supervisory employees they are not subject to the Act.

Rivalries between and within these and other unions and between the various groups of employers are largely responsible for the fact that not enough agreements between enough companies and enough unions were reached last week to save the President from having to resort to the injunction, hard as Mr Goldberg and his mediators worked to avoid this. Exactly who had settled with whom on which coast was far from clear when the Administration finally went to court but by that time nearly half the merchant fleet seems to have been free to sail. Three of the five main unions involved, including the largest, the National Maritime Union, agreed on a contract at the end of last week with two of the chief organisations of employers. It provided for wage increases of over 20 per cent and by-passed the issue over which negotiations had broken down—the demand of the sea-faring unions for rights on the ships which unsubsidised American companies have registered under foreign flags in order to avoid the high wages which prevail on American vessels—to the fury of the other two unions, the Seafarers' International Union, whose members work mainly on unsubsidised ships, and the engineers.

Few Frontiersmen in Congress

WHILE it has been reasonably easy for the Administration to lead Congress along familiar trails—and a good deal of ground has now been covered—the legislators dig in their toes when they are asked to do any pioneering. Last week there was a rush of legislation to the White House, but little of it was novel and much of it was inspired simply by the end of the financial



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year on June 30th. For example Congress had to extend the excise taxes and the high rate of taxes on profits which were about to lapse; it also had to extend (and raise) the statutory limit on the national debt, which would otherwise have reverted to \$285 billion—several billion dollars below the actual level of the debt on that date and about \$13 billion lower than the level expected next December and January when the seasonal ebb of receipts, coupled with the deficit of at least \$3.7 billion for the 1962 fiscal year, will bring the debt to nearly \$298 billion. Even the conservatives are growing resigned to "temporary" increases every year in the limit on the debt and make only token protests. The ceiling is now \$298 billion, just short of the wartime peak of \$300 billion.

The Administration is also well satisfied that Congress has found most of the additional money needed to keep the building of the interstate highway system on schedule until it is completed in 1972, partly by extending the full tax on petrol, partly by imposing higher taxes on the road transport and tyre industries. Only \$150 million a year will have to be drawn from the Treasury. By narrower margins Congress continued the federal bonus designed to persuade the states to control outdoor advertising along the interstate system; so far nine states have qualified for this bonus. As usual, Congress was even more enthusiastic—indeed virtually unanimous—about raising benefits for old people; unlike the big housing Bill—about which some Senators had last minute qualms—the improvement in benefits will not increase the deficit; it is to be covered by a slight increase in contributions.

Three of the President's list of five "must" Bills have now been safely gathered in: housing, the raising of the minimum wage and aid for depressed areas—all old friends. But it is a different story when new departures are at issue. Hearings have not even been begun in either chamber on medical aid for the aged and the Administration is reconciled to no action this year. A sharper rebuff was administered last week to the President's farm proposals, to which Mr Freeman, the Secretary of Agriculture, clung gallantly (and rather obstinately) past the eleventh hour. Committees of both the Senate and House have rejected his central request for authority for producers to devise new means of controlling production, subject only to a congressional veto. This means that the same old extravagant system of price maintenance will continue for another year. Two other important proposals—long-term financing for foreign aid and federal aid to education—are bogged down. Mr Kennedy has certainly failed to instil into Congress any sense of urgency, except over spending on defence and space.

Magazines on the Rack

NEW YORK

EVER since television began distracting the advertisers, America's big glossy magazines have been searching frantically for a formula that will enable them to prosper under the shadow of Big Brother. For the most part they have tried to compete with the enemy on his own ground. By heavy expenditure on promotion and the lavish use of cut-rate offers, circulations have been pushed steadily upward. But in the last year or two the magazines have been trying another technique to get even with television. One by one they have introduced regional as well as national editions so that advertisers have the option of buying space (at a lower cost) for the region of their choice. One magazine even allows an advertiser to choose the individual states in which his advertisement is to appear.

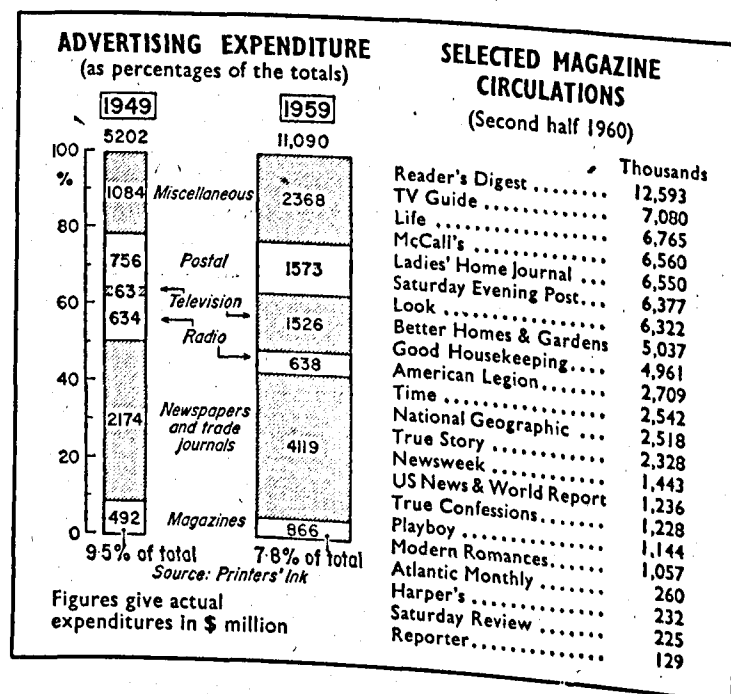
While the common enemy is television, the energies of the mass-circulation magazines have been spent mainly in hitting at each other, even in full-page advertisements in the press. So far there have been only a few major casualties—*Collier's* magazine, for example—but several of the combatants are now in uncertain health.

On the face of it they appear to be in fairly good shape; both the circulation and the advertising revenues of the big magazines continue to grow year by year. The problem which they face is the high cost of pushing up revenues. Every magazine thinks it must grow if it is to convince readers and, more particularly, advertisers of its virility. The dogged pursuit of reluctant subscribers is a costly operation. At present most of these magazines are carrying at least half of their subscriptions at cut rates and they tend to spend more to win the marginal million of subscriptions than they bring in. Certainly a large circulation is no guarantee of solvency; *Collier's* folded despite its four million subscribers. Similarly, the efforts to please advertisers—such as the trend towards regional editions—often add more to expenditure, at least in the short run, than to revenue.

Recently the big magazines have shown perceptible signs of changing their tactics. Encouraged perhaps by the cloud that has hung over television as a result of the revelations about rigged quiz programmes and other scandals, the periodicals have joined together in a big campaign (which includes full-page advertisements in the daily press) to point out to the advertising industry that the income of the average reader of magazines is higher than that of the average television viewer; that many people read each copy of a magazine and that they peruse it in a leisurely fashion; and that advertisements in magazines do not evoke the irritation that commercials on television often do.

At the same time the magazines are changing their covers, their contents and their typography in an attempt to outdo the appeal of television. The most recent candidate for change is *Life*, for years the uncrowned king of glossy magazines, but a revised version of the *Saturday Evening Post* is expected to reach the news-stands this autumn or winter. The straight coverage of news, largely in pictures, has lost much of its drawing power now that television does the job more promptly, and the market for fiction is not what it used to be. Instead the magazines are emphasising background articles on current affairs and devoting much more space to the ever popular "How to . . ." articles and to such recreations as boating. Above all, the magazines are extracting all they can from the use of colour—the one thing that they can offer to advertisers that television cannot, at least for the time being.

Even outside the giant magazines circulation figures for American periodicals are quite impressive. Excluding the several thousand trade publications and special periodicals, nearly 300 magazines appear regularly—a number that has not varied much in recent years. Some 50 of these claim more than a million subscribers



each, ranging from *TV Guide* to *Presbyterian Life* and from *Progressive Farmer* to *Modern Romances*. At the head of the list is the *Reader's Digest*, which until 1954 carried no advertising. But since then it has changed its ways; in the current issue 112 of its 288 pages consist of advertisements. At the other end of the scale moderately high-brow magazines, such as *Harper's*, the *Saturday Review* and the *Atlantic Monthly*, have in the region of 200,000 subscribers each; the *Reporter* has about 129,000. A handful of publishing houses accounts for the major part of the magazine business, but concentration has gone no farther than this. In terms of advertising revenue the largest stable is Time Incorporated, out of which come *Fortune*, *Life*, *Sports Illustrated* and *Time*. The Curtis Publishing Company (*Saturday Evening Post*, *Ladies Home Journal* and others) takes second place.

The advent of television has changed drastically the blueprint for a successful magazine. Advertisers are no longer impressed (or so they say) with sheer numbers, because they believe that on this count television can always do better. On the other hand they have evinced a growing interest in magazines that reach a distinctive group of readers. Thus, while the mass-circulation magazines have watched their profit margins narrow or disappear, other periodicals have been doing extremely well. *Sunset*, a west coast publication, rode to success on the postwar craze for outdoor living, California-style; *Playboy* has found a remunerative market in teaching young Americans how to be men-about-town; the *New Yorker* has become a national institution; and *Business Week* has won the favour of advertisers through its novel policy of accepting subscriptions from businessmen only and of keeping the magazine off the news-stands. Many people used to think that new magazines were a thing of the past, but a fairly large crop is coming to market, all of them aiming for a modest circulation among special groups of readers. In the entertainment field there will be *Show Business Illustrated*, *Show*, *Bravo* (for concert-goers) and *Tape* (for record enthusiasts). Others include *Current* which reprints extracts from articles on current affairs, *Country Beautiful* and *Pool Life* which is designed for the proliferating numbers of people who own swimming pools.

Agency for Peace

IT is a fine thing to launch a new agency for peace at a moment when the world's hopes for disarmament are at a low ebb after fifteen years of fruitless discussions and when even the prospect of a ban on atomic tests is fading away. It shows that America still has faith in the possibility of limiting the arms race. No doubt this was one of President Kennedy's purposes when he asked Congress recently to carry out a Democratic pledge by creating a new United States Disarmament Agency for World Peace and Security. Too often in the past America seems to have lost the battle to convince the world that it is sincere and undaunted about the need for disarmament. The President also hopes that this unique body will take bolder initiatives and be much more effective in co-ordinating research and policy than the present Disarmament Administration, a small agency which President Eisenhower buried in the State Department.

If Congress approves the Bill, on which Mr McCloy, the President's adviser on disarmament, has been working since January, the new agency will have a great deal more power, prestige and money than its predecessor. Primary responsibility for disarmament activities will be vested in its director and the agency, which will be established by legislation, will have its own budget. It will conduct research in its own laboratories into the highly technical problems involved, as well as taking advantage of work done elsewhere, and it will be free to recruit people of outstanding calibre. It will not only draw up recommendations in the dis-

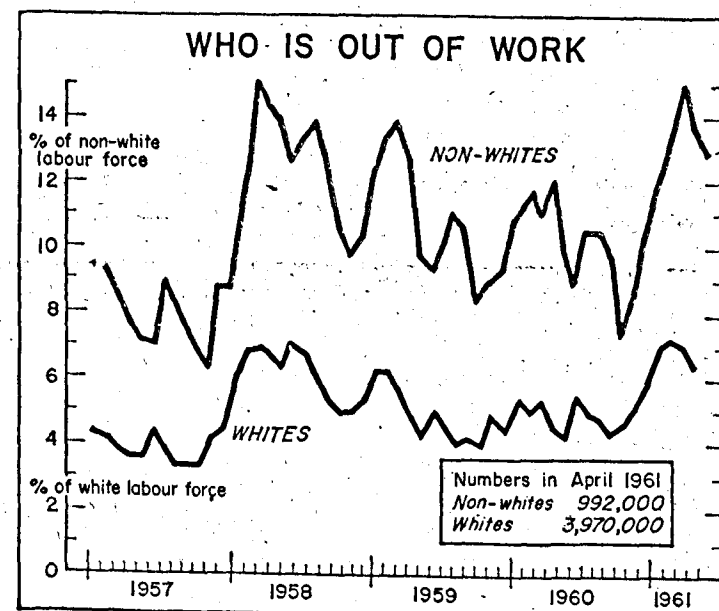
armament field, but it will also conduct negotiations under the direction of the Secretary of State.

The greatest innovation—and something over which there has been some controversy—is that the director will have direct access to the President because, as Mr McCloy said in the letter accompanying his proposals, "disarmament considerations are so all-pervasive in scope and importance that the President must concern himself with these matters on a continuing basis." But the director will also report to the Secretary of State, in recognition of the fact that disarmament must be co-ordinated closely with foreign policy. Congress, which has been somewhat concerned about the lack of clear lines of responsibility in the Kennedy Administration, may not find this compromise altogether reassuring. The man being talked about to head the new agency is Mr William C. Foster, who was concerned with both defence and foreign aid in the Truman Administration.

Putting Jim Crow to Flight

NOTHING about the new Administration is more heartening than its determination to end discrimination against minority groups, and particularly against Negroes, in employment. It is said that the telephone wires sizzled after President Kennedy noticed that there were no dark faces among the Marines taking part in the inauguration parade and he has made history by appointing Negroes to the highest jobs they have ever held in the government service. Unfortunately one has just had to forgo his appointment because his difficulties with the tax authorities were such that the Senate probably would not have confirmed him. The Secretary of Labour, Mr Goldberg, has sent a recruiting officer to southern Negro colleges to interest their students in applying for federal jobs; so has the Civil Service Commission. Most of these colleges train their young people for the few professional careers traditionally open to Negroes—in teaching, the churches and social work; their curricula may have to be broadened if their graduates are to go into business and government service. About 80,000 of the 120,000 Negro college students in the country are in the South where employers tend to overlook them.

Besides setting an example itself, the Administration is forcing firms which want government contracts to do likewise. Up to now, the theory has been that such firms do not practise racial discrimination but it has remained theory, particularly in the South, to which \$2.7 billion in government contracts was awarded last year. In



Piggy-backing in Clover

THE railways, which need some encouragement, have just won a decision from the Interstate Commerce Commission which, if it is not overturned by the courts, should enable them to win back a great deal of the goods traffic which they have lost to road transport. In a ruling on eight cases which have been accumulating since 1958, ten members of the ICC (with one member dissenting) upheld the cut rates offered by the railways on certain types of "piggy-back" service. Piggy-backing means the carrying on railway flat cars of motor trailers loaded with goods. When this began, the railways supplied both the trailers and the flat cars, but now they quote lower rates to customers who supply their own trailers or both trailers and flat cars. These are the rates which have been upheld over the objections of the road transport industry and of the teamsters' (lorry-drivers') trade union. Mr Hoffa, the teamsters' head, feels so strongly about the effect of piggy-backing on his men's jobs that he has insisted upon a clause in some contracts with road hauliers requiring them to pay penalties if they "trade with the enemy." But piggy-backing obviously provides the public with a popular door-to-door service; since 1955 it has tripled in volume and this year, although railway freight in general is nearly 15 per cent lower than last year, piggy-back traffic is up by 2.7 per cent.

The Transportation Act of 1958 was supposed to give the railways more leeway to lower their rates in order to compete with their rivals. The present decision is the clearest and most important step which has been taken to carry out that policy. To reach it the ICC had to satisfy itself that the rates were not so low as to amount to destructive competition; that they would not drive

road transport to the wall; and that the rates cover the railways' out-of-pocket expenses, and make some contribution to their overhead costs. Another issue was whether charging the same rate, no matter what the trailers contain, violates the principle of charging different rates for different kinds of goods. On all these points the commission came down heavily in favour of the railways although two of its members think that the charges are getting close to destructive competition and will bear watching. The way now seems open to a great expansion of piggy-backing; some people are talking of the eventual disappearance of the ordinary goods wagon and the Fruehauf Trailer Company, the biggest manufacturer of lorries, thinks that eventually it may be making more piggy-backing equipment than conventional lorries.

SHORTER NOTE

President Kennedy has appointed Mr James Riddleberger, a career diplomat, to be chairman of the Development Assistance Group, which decided in March that its chairman should be an American. He has been Ambassador to Yugoslavia and Greece and in 1959 became Director of the International Co-operation Administration, the foreign aid agency. Mr Kennedy has also appointed Mr Robert McKinney, a newspaper publisher from New Mexico who at one time was American representative on the International Atomic Energy Agency, to be Ambassador to Switzerland. An extremely important post which has gone begging for months was filled three weeks ago when Mr Robert Woodward, a career diplomat and the present Ambassador to Chile, agreed to become Assistant Secretary of State for Inter-American Affairs.

mittee, Bank rate was raised to 7 per cent, and, as Sir Oliver Franks has remarked (*Some Reflections on Monetary Policy*, p. 39), "the drain over the exchanges ceased, and the inflationary pressures at home subsided. We reached a comfortable situation surprisingly quickly."

There is a long list of measures, such as the credit squeeze, capital issues control, hire purchase restrictions, special deposits, which have been devised to regulate the flow of money. All have been inspired by a distrust of Bank rate, and none has proved to be an adequate substitute for it. The Radcliffe Committee itself, misreading the evidence it received, discarded Bank rate, and had no substitute to offer. Only in the two or three years following the rise of Bank rate in September, 1957, has our economy been free from the Laocoon contortions.—Yours faithfully, RALPH HAWTREY
London, W8

Immigrant Workers

SIR—I am astonished at your comments on immigration. Is it seriously your contention that immigrants with a low standard of living and totally different codes of conduct should be encouraged to come to this country to perform menial tasks distasteful to the indigenous Britisher? Surely the fact that the ever-increasing labour force is not matched by a corresponding increase in production points to the uneconomic use of our labour resources. Unrestricted

immigration of cheap labour can only pander to this weakness.

You make no reference to the social strains that are arising as a result of this influx. The great majority of these immigrants arrive with no homes to go to, and they swarm into our already overcrowded cities with most regrettable results which must be known to you.

If the present trend continues the ultimate alternatives seem to be complete assimilation of coloured immigrants, or the creation of a minority element, neither of which would appear to be desirable.—Yours faithfully, NORMAN A. PANNELL
House of Commons, SW1

Canada's Economy

SIR—Your Ottawa correspondent's analysis of Canada's economic plight pays undue deference to the merits of a conservative monetary and fiscal policy for that country. Thus, in discussing the "political assassination" of Mr Coyne, he speaks disparagingly of "a new Budget with a Keynesian deficit running high, wide and handsome, to a disregard of the balance of payments deficit, which has always been the core of Mr Coyne's concern..."

Surely this concern has been unwarranted. Because of her flexible exchange rate Canada has had the scope to pursue a vigorous expansionist policy without fear of losing exchange reserves or making her exports non-competitive. Even with long-term interest rates pegged at 3½ per cent and a budget deficit twice as large as exists at present—to pluck some policy choices from the air—Canada could balance her international accounts without the loss of an ounce of official gold or a dollar of official claims on foreign governments. The Canadian dollar would simply depreciate to a level where exports plus private capital inflows would match imports plus private capital outflows.

Actually, a good part of Canada's balance of payments deficit on current account stems from Mr Coyne's misplaced tight money policy. At a time of serious unemployment this policy induced a high level of capital inflow, a premium on the Canadian dollar, and a consequent increase in imports and decrease in exports. A change in this policy seems long overdue.—Yours faithfully, HENRY N. GOLDSTEIN
Washington, DC

Public Schools

SIR—I welcome your note on the suggested adoption of the Fleming Scheme for entry to public schools. I am sure you are right in stressing the undesirability of using public money to send a very small group of boys to these schools. Small though they are in number, these boys are the salt that savours the grammar school system, the ones who are our university candidates and

who provide stimulus for their companions and for the staff. For if the public schools themselves chose the boys they would—not unnaturally—take the best. Besides, is it right for local authorities to spend money indirectly subsidising schools whose staffing ratios, accommodation and salaries may well be above the authority's own standards? They should spend it on upgrading their own schools.

Had it not been for the recent injection of much "public" money ("public" in the widest sense, as it came mostly from industry or indirectly in returned tax from the tax payer) into the public schools, the maintained schools might have by now overtaken them in science provision. Surely the solution given by the Minister—to improve the state schools so that there is no need for the keen parent to look elsewhere—is the right one. What is often forgotten, however, is that grammar schools cannot easily compete with public schools if boys coming through the state system begin their education in academic subjects only at 11, while the public schools recruit at 13 boys who are already almost at GCE "O" level after perhaps five or six years of academic subjects. The quality of its intake is a vital factor in any school's success.

As the grammar schools improve and—important point—are given more independence by the local authorities, public schools might voluntarily join the state system and English society might cease to be "two nations."—Yours faithfully,

V. J. WRIGLEY
Hemel Hempstead, Headmaster,
Herts Apsley Grammar School

Turkey

SIR—The more revolutionary 14 Turkish officers led by Colonel Alparslan Turkesh have declined offers to return home to be given high posts, ministerial ones in some cases. They have said that they were not interested in "honorific" posts; they would only return to Turkey to carry out the reforms they stood for. This, I think, is very much to their credit.

But what I also think speaks even more in favour of their ideas and their return home is the disorderly trend of events in Turkey since the National Unity Committee was split and the "14" exiled. As a matter of fact, the more the exile of the "14" lasts, the greater their chances of re-integrating the NUC.

A "coalition government," as suggested by the lords of the Turkish press, parliamentarianism "western-style" and other "democratic" games can only serve to aggravate the situation in Turkey. Whether one likes it or not, the best for Turkey is to have a spell under her own Nassers.

I believe, Sir, that the "14" will inevitably return home and execute the reforms Anatolia so badly needs. The sooner this takes place, the sooner men like Colonels Turkesh and Sami Kutchuk co-operate again, the better it will be for

Turkey, the Afro-Asian world and the West.
—Yours faithfully, ARSLAN HUMBARACI
Tunis

The Census

SIR—While agreeing with you that unnecessary discrepancies between the Scottish and the Registrar General's census should be removed before 1971, we would challenge the implication of your conclusion that a full census is no longer necessary. It is becoming increasingly apparent that our knowledge of the features and the functioning of our economy is mainly at a national level, while our understanding of local and regional economies within the country is extremely limited.

This is partly because statistics about the national economy (even apart from the census) have become, and are becoming, more plentiful, while those for the constituent parts remain singularly inadequate. It is impossible to produce sufficiently accurate data for each group in the Standard Industrial Classification for an area with, say, a working population of 15,000 or less, if sampling techniques (and only a ten per cent sample) are used. Yet it is at this scale that more information is required. We are falling rapidly behind many other countries where census data is obtained and published in considerable regional detail. What is needed in Britain is not more sampling but more census information for small areas so that students of regional and local economies can belatedly follow the lead of workers in other countries in unravelling the intricacies of intra-national economic growth.—Yours faithfully, G. HUMPHRYS
G. MANNERS

University College of Swansea

Signposts for the Sixties

SIR—In your article on the Labour Party's new policy statement you say: "As enunciated, Labour's plan for the state purchase of all freeholds where building or rebuilding (above the filling station level) is projected, seems best calculated to interpose the maximum discouragement to owner and developer alike." This has certainly not proved to be the case in Coventry, where over one-third of the land is publicly owned, or in the City of London, where the corporation is the biggest single landowner.

Coventry is the most redeveloped city in Britain and the properties under the corporation's management now produce yearly rentals, including ground rents, totalling half a million pounds. In the City of London, the corporation have for some time being doing virtually what the Labour Party propose. They are acquiring sites, particularly those cleared as a result of war damage, and putting blocks of land up for tender. Tenders submitted by the various property groups appear to have trebled in the last three years, and redevelopment in the City has not been noticeably discouraged.—Yours faithfully, STUART GREENSTREET
London, N6

BOOKS

Their Style is the Man

Letters and Documents of Napoleon, Vol. 1: *The Rise to Power*

Selected and translated by John Eldred Howard.
Cresset Press. 574 pages. 55s.

"Be clear, and all the rest will follow." Napoleon seems to have read critically nearly everything, he signed, or even initialled. His secretaries, commanders and officials were his pupils: his stepson Eugène's circular "is too long—you would have done better to write six lines." His brother Lucien, ambassador to Spain, is bluntly told that his drafting "is often faulty." A senior officer is "too clever . . . what is wanted is accuracy, character, simplicity." And these are the qualities which hallmark the documents in the gigantic collection begun by Napoleon III, on which editorial committees worked till the end of the nineteenth century—not without some strange additions, suppressions and bowdlerisations, due perhaps to the interferences of French historians, who could be as fiercely pugnacious as Oxford dons.

Mr Howard's preface explains how he sifted and sorted until he got what he needed for the first comprehensive selection in English. Volume I gives this brave undertaking a most promising start. His documents are arranged in six sections: early years; Italy; Egypt; Brumaire; Marengo; Lunéville and Amiens. Each is put into its historical context by an introduction. The volume ends with a table of sources giving the number, date, addressee and subject of every paper. Reproductions of portraits, medals, letter-heads, signatures are worthy of the book's price.

But some of the maps are too reminiscent of the Alpine war maps of 1918—with mountains so realistically hachured that the place names in small print are almost lost—an irritation to the enthusiastic reader hurrying along with one of Bonaparte's rapidly marching columns; tactical thrills do not need the added excitement of a topographical treasure hunt.

This book, moreover, could be as academically valuable as it is enjoyable if its sectional introductions gave more guidance on controversial issues. How much did Bonaparte owe to pre-revolutionary military theorists? A few clues in Mr Howard's description of the Republican armies would encourage speculation by students of military history. Again, although Bonaparte wrote little just before Brumaire ("wise conspirators do not put things on paper"), so much has been written since, sometimes by politicians masquerading as historians,

that a proper appreciation of the causes and effects of that crisis is impossible without some discussion of their arguments.

These suggestions need not lessen enjoyment of Bonaparte's superhuman versatility as displayed in his letters, orders, bulletins. In his own phrase he "shuts one drawer and opens another" as he switches his entire attention from problem to problem: the control of rapid movements by which he outfought Austrian forces much larger than his own in 1796; the organisation, equipment and co-ordination of the columns that struggled through the Alpine passes in May, 1800; the improvisation of civilian machinery to govern occupied Italy; the maintenance of morale in Egypt after the disaster of Aboukir—health centres in towns, drastic punishment of incompetent senior officers, insistence on proper inspection of wards and hospital kitchens, the manufacture of games equipment for troops in camp, music for convalescents, actors "requisitioned" from France. Nothing, in short, is too large for his capacity, or too small for his attention. In seven hundred documents his own words conjure up the young Bonaparte—their style is, indeed, the man.

Literary Genetics

The Garnett Family

By Carolyn G. Heilbrun.

Allen & Unwin. 214 pages. 30s.

ONE of the happiest phenomena of the nineteenth century in England, brought out by Mr Annan in his well-known study, was the fruitful inter-marriage of intelligent families, leading in some cases to an astonishing continuity of brilliance without uniformity: the younger generations have so many admirable genes to choose from. Fortunately they still intermarry, and the Garnetts are a fine example of it up to the present day. This book chronicles four successive generations of intellectuals, down to Mr David Garnett, and draws modest attention to the epigoni of the fifth and sixth generation, into whose make-up has been cast such a variety of ancestral talent from every side as to make any geneticist's eyes goggle.

Another, more recent tradition is for American scholars to write studies of these same English intellectual families. Mrs Heilbrun's book is one of these, and well above the average. It is short, unpretentious, well written and sensible. She

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deliberately avoids any rivalry with Mr David Garnett's splendid autobiography, and gives only the barest account of his life and works. She deals briefly with family origins and with the Reverend Richard Garnett, the effective founder of the run of intellectuals in the family, and at fair length with his son, the second Richard Garnett, author and librarian. Half the book goes to his son, Edward, the most celebrated and influential of all publisher's readers. She deals rather more shortly with his wife, Mr David Garnett's mother, Constance, whose translations brought Russian literature to the British reader.

Edward Garnett is the centre of the book: a charming character who did immense good by his devotion to literature. He is a little difficult, at times, to bring alive, because his own writings were not important, and what mattered was his influence on others. By bad luck, few of his letters seem to have survived, but many written to him still exist and some of these make the skeleton of Mrs Heilbrun's book. His closest friend was Joseph Conrad, who always said that without Garnett's encouragement he would not have gone on writing; his stormiest (needless to say) was D. H. Lawrence, and part of Mrs Heilbrun's thesis is that the help which Garnett gave to Lawrence and his influence on him have both been underrated. She has a good deal of hitherto unpublished material to support her.

It is an interesting and readable book about thoroughly nice people—a conjecture less common than one could wish.

Complexities of HP

The Control of Hire Purchase

By F. R. Oliver.

Allen & Unwin. 218 pages. 25s.

Hire Purchase in a Free Society: Third Edition

By Ralph Harris, Margot Naylor and Arthur Seldon.

Hutchinson. 319 pages. 30s.

THESE two books complement each other. The first is concerned with the economic consequences of hire purchase, the second with its practical working. Both are useful, but both are in some ways disappointing, and the really satisfactory textbook on instalment lending has still to be written. The third edition of "Hire Purchase in a Free Society," published by the Institute of Economic Affairs, has been extensively revised and enlarged, and now includes descriptions of instalment lending in a number of overseas countries. The book is still probably the best available guide to how hire purchase works, but it comes too close to being an apologia for the finance companies.

Dr Oliver's book is quite different. It is based on a doctoral thesis, and bears some of the marks of it. The style is often tor-

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tuous and difficult to follow, the treatment often needlessly comprehensive, exploring every dead-end avenue. On major issues of policy, the argument is inconclusive. The book would have been considerably improved by some heavy editing. But when all this has been said it is a useful contribution, which deserves to be read by economic commentators and administrators.

The economic effects of hire purchase are particularly complex in that they can be analysed only in a dynamic model that can consider the different forces brought into action at successive periods of time. Dr Oliver brings out this complexity very forcibly, though he is not always successful in picking the reader's way through it. He has an interesting discussion on hire purchase and the trade cycle, rightly showing that the effect of the cycle on hire purchase is a weightier influence than the effect of hire purchase on the cycle. Dr Oliver finds that this is confirmed by experience in the United States; British experience is no guide because of official controls.

In the argument about controls, Dr Oliver comes down in favour of them, as a counter-cyclical weapon which, by ironing out fluctuations, should not harm hire purchase or the growth of the durable goods industries in the long run. He points out that since the effect of controls is fully felt only some nine months after they are tightened or relaxed, the controls "should anticipate, if possible, the situations they are designed to rectify." And there, of course, is the rub. In practice governments do not manage to "anticipate" the turn of the business cycle: they are lucky if they spot it months after it has happened. In practice hire purchase controls are, therefore, apt to come at precisely the wrong time. Moreover, Dr Oliver does not follow through the effect of controls on the incidence of terminations, as Mr J. R. Cuthbertson has recently done. This book is a useful beginning, which deserves to be built on.

Symbol of Abundance

Supermarketing

By Frank J. Charvat.

Macmillan Company, New York. 288 pages. 48s. 6d.

SUPERMARKETS, each with a turnover of more than half a million dollars, in 1958 transacted 57 per cent of the total sales through food shops in the United States. Twenty-three years earlier, their share had been negligible. In a generation, they have become a symbol of American abundance, and have profoundly affected activities ranging from market research to town planning. Now they are in the early stages of what may be a similar development in this country.

Dr Charvat's statistical survey of their development, rationale and effects is therefore opportune, and usefully complements M. M. Zimmerman's more detailed and

BOOKS

colourful "The Super Market" of 1955. After a sketch of the stages of development, from the Californian experiments of the twenties, through the "cheapies" of the thirties, to the larger and more lavish stores of today, there is a series of chapters on sales, gross margins, costs, and balance sheet factors, which give a comprehensive statistical picture of supermarket operations. Particular attention is paid to purchasing procedures and methods of raising finance. The second half of the book describes some effects of the supermarket: the reaction of the large grocery chains, the strong trend towards horizontal integration, and the decline of the speciality food shop.

The British business man, though he may praise American efficiency, is usually far more hostile to the collection and publication of statistics than his American counterpart, and a book like this could not be written about this country; Dr Charvat relies on material, both from the Federal Government and from the trade, which simply does not exist over here. We learn, for example, that the number of lines stocked by the average supermarket rose from 867 in 1928 to 5,600 in 1958; that trading stamps passed their peak in 1956, when 39 per cent of supermarkets used them; that in 1958, 64 per cent of supermarkets handled men's socks with an average of ten different items; that the largest chain, the "A and P", reduced the number of its branches by half—to a mere 7,073—in the four years to 1940, and that in 1937 no fewer than one-third of them were operating at a loss. The late response of the giant chains to the challenge of the supermarkets provides indeed an interesting parallel with this country, in which the three largest grocery chains have been consistently in the rearguard, with the running being made either by large concerns with their primary interests elsewhere, or by smaller enterprising firms and individuals.

"Supermarketing" is well documented, with six pages of bibliography, and much has been gleaned from the trade press which deserves this more permanent form. The statistical information, both in the text and in seventy tables, is almost always competently handled, though there is no attempt to explain, or even refer to, discrepancies in the material from different sources. When presenting the conclusion of research into the facts and figures, Dr Charvat writes clearly and precisely, without padding, and summarises the work of others effectively if uncritically. It is therefore a pity that he has been tempted into an over-ambitious final chapter, in which he becomes capable of sentences like: "Some of the best creative brainpower should be devoted to the development of new promotion ideas" and "Personalised management can lead to more community acceptance. . . ."

The discussion never goes very deep: marketing, which Dr Charvat has studied, is not economics. Nevertheless, the book can be recommended as a sound, factual and comprehensive survey of an important economic phenomenon.

New Machiavelli

Presidential Power

By Richard E. Neustadt.

John Wiley, London and New York. 237 pages. 48s.

PROFESSOR NEUSTADT, who has earned the title of the Machiavelli of the new American Administration because of his unabashed interest in political power, has written a close and realistic study of how presidents should act to attain their ends and why some recent ones have failed so lamentably to do so. An American president is not omnipotent; even where his writ runs most clearly he has to persuade other people, who have their own responsibilities and interests, to do as he wants them to. His standing with the Washington community, whose sharp eyes are on him continuously, is one great factor; his standing with the public, whose attention is much more intermittent, is another. When Mr Eisenhower abandoned his own Budget in 1957, and acquiesced in the attack on it by Mr Humphrey, the Secretary of the Treasury, the president made himself a laughing-stock, let down people who thought they had commitments from the president and gained a reputation for not knowing his own mind. President Truman made a much graver error when he and his advisers—civilian and military—failed to rein in General MacArthur in Korea; the result was that the name of Truman became asso-

IS CHINA

IN THE THROES

OF A DISASTROUS

NATION-WIDE FAMINE?

An authoritative article in the latest issue of *The China Quarterly*, the only Western Journal specialising in studies of contemporary China, examines the evidence and suggests the answer.

The issue also includes articles on Buddhism (by *Holmes Welch*), biographies of two noted Chinese intellectuals—Ma Yin-ch'u, the economist, and Ch'ien Tuan-sheng, the political scientist—and a set of articles on the state of various branches of science in China.

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THE CHINA QUARTERLY

ILFORD HOUSE,
133-135 OXFORD STREET,
LONDON, W.1.

ciated in the mind of the public with a bloody war which it seemed impossible either to win or to stop.

These two examples provide the heart of Mr Neustadt's book; he also includes a short outline of one enterprise which, miraculously and for once, went right—the birth of the Marshall plan. He also sketches the styles of the last three presidents—Roosevelt, Truman and Eisenhower—and comes to the conclusion, not surprisingly, that only Roosevelt had the necessary pre-occupation with his own power and the skill and the experience to make the most of it. But the gist of the book—that only the President is in a position to look after his own interests, and that he must act as his own chief of intelligence, sifting and piecing together gossip and making his own decisions—may not be enormously helpful to the man who sits in the White House. Mr Kennedy has done away with many of the layers of staff within which President Eisenhower was insulated and tries to work out every policy for himself. But this did not save him from a disastrous step over Cuba. There are evidently qualities with which a president has to be born or which he has to acquire from experience rather than from books.

Poet as Thinker

W. B. Yeats: *His Poetry and Thought*

By A. G. Stock.

Cambridge University Press. 267 pages. 27s. 6d.

IT was Blake, one of Yeats's acknowledged masters, who said "I must create a system, or be enslaved by another man's." This hard necessity confronts any poet whose convictions defy the commonly accepted formulae of the society in which he finds himself. Yeats was such a one. His genius rebelled against the values of Christianity and democracy, which colour the assumptions of the average English-speaking reader. He could not write with perfect confidence until he had worked out for himself a system that took into account his own intuitions about life and death, time and eternity, soul and body. Showing better judgment than Blake, Yeats kept his theorising distinct from his poetry, so that his readers are never confronted with such obvious obscurities and enigmas as they are in the "Prophetic Books."

Some of Yeats's critics have denied that we can understand the poems without a knowledge of the underlying principles of his thought. No doubt they are right; and yet there is the undeniable fact that the poems of Yeats can give acute delight to many who would jib at "A Vision," the prose exegesis in which he presents with immense elaboration his own account of man's nature and destiny. It is an extraordinary amalgam of notions drawn from unfamiliar and sometimes bizarre sources, and Yeats himself did not claim for it the status of a gospel. It

was to serve his own needs, not to correct the thinking of others, that he evolved it.

Professor Stock, the latest to join the throng of commentators on the poetry of Yeats, is far more concerned to defend the seriousness of his thinking than the general validity of his thought. She writes sympathetically of his beliefs, though it does not appear that she endorses them. What she does show is that the very heterodoxy of his convictions bears witness to his intellectual curiosity and mental activity. To some, Yeats may appear to have been credulous; but there is nothing lazy about his thinking. His system is both intricate and coherent, if his premises can be accepted. And his mature poems, compact of energy, alive with meaning, demonstrate how his own poetic confidence gained from his having formulated a body of doctrine that corresponded to his own intuitions of reality.

Miss Stock traces Yeats's intellectual and artistic development from volume to volume of his poems, giving full weight to the external events that shaped him as well as to the sources from which he derived some of his ideas. She writes with notable lucidity and grace, and with an abundance of good sense. Her book makes an admirable introduction to the serious study of Yeats for anyone who has already been captivated by the brilliant beauty of his poetry.

From History to News

Our Times, 1900-1960

By Stephen King-Hall.

Faber. 352 pages. 28s.

SIR STEPHEN KING-HALL is an indefatigable person. It seems to have occurred to him that it would be a good thing to provide our intelligent but inevitably ignorant youth with a brief and readable account of what happened between the times when school history seems to leave off and their own memories begin—a yawning gulf, is it not, but by no means a vacancy. No sooner had this idea occurred to him than it occurred to him that no one would do the job better than himself, and in less than no time it was done. Elderly and academic persons may occasionally raise an eyebrow and feel for a blue pencil, but what matter? It was not meant for them. It is extremely readable, and extremely fair-minded. Although no one would doubt its author's intense patriotism, the reader will find that neither the Germans in the first half of the period nor the Russians in the second are as black as they are sometimes painted.

And the author seems so surprisingly often to have been there himself:

Less than five weeks had elapsed since, as a young naval sub-lieutenant, the author had heard the news of the assassination whilst attending a party on board a German warship at the naval base of Kiel, where a British squadron was then paying a social call. On August 28th his ship, HMS *Southampton*, was in action in the Heligoland Bight with the German ship on whose deck he had been

dancing when the festivities were interrupted. When the war ended he learnt that a shell from the *Southampton* had burst on the quarter deck of the German ship and killed about forty men on what had been the gay dance floor.

We are told that when the author of the Acts of the Apostles joined in and took part in the proceedings he describes he indicated the fact by surreptitiously introducing the pronoun "we." There are plenty of "we-passages" in this book, and they enliven what is in any case a lively narrative.

Bare Ruin'd Choirs

English Monasteries in the Middle Ages

By G. H. Cook.

Phoenix. 282 pages, 46 plates and 41 plans. 36s.

FINIS CORONAT OPUS: this book concludes its author's four-volume task of delineating the ecclesiastical edifices of England: cathedrals, parish churches, collegiate churches, and this last (correctly including as *monasteria* or minsters what we loosely call convents or nunneries). One does not have to be a Christian, still less a Roman Catholic, to writhe with anger at what Henry VIII's commissioners did at the suppression to the accumulated beauty of buildings and contents dating back through eight centuries. The enrichment of the new Tudor aristocracy arose from contractors' and spidermen's dilapidation. Our often scorned Victorians over-restored; but at least they revered what had gone before them.

Mr Cook makes elegantly plain what went under Henry VIII, and went for the good of greedy men. But he does more: he describes English monasticism in both its good and less admirable aspects, its administration, ritual, offices, economics, arts and crafts, beside its buildings; and he gives a wealth of useful information to tourists, as well as to expert ecclesiologists. Who would have known, apart from Mr Cook, that the law of copyright probably dates from the judgment of a Dark Ages king of Tara that one of the two monasteries there should not entice pilgrims away from the other by displaying a mere copy of the other's genuine treasure? Who, after browsing in this reasonably priced compendium with excellent plans and plates, will not revisit the nearest ecclesiastical buildings and gain enjoyment with interest? Mr Cook's great labour is a monument to ubiquitous beauty created by a few.

OTHER BOOKS

THE INVESTOR'S INDIA YEAR BOOK 1961. Compiled by Place, Siddons & Gough (Private) Ltd. Orient Longmans. 502 pages. Rs. 20.

CANADIAN ANNUAL REVIEW FOR 1960. Edited by John T. Saywell. Toronto University Press. London: Benn. 419 pages. No price given.

ACCIDENT PREVENTION. International Labour Office. 190 pages. 4s. 6d.

HOME REPORT

In HOME REPORT members of the editorial staff and local correspondents report on life and happenings in and around Britain.

Earls Court's Co-existers

FROM OUR SPECIAL CORRESPONDENT

EARLS COURT, that commercial panopticon rising shed-like above the seamy brickwork of the Warwick Road, SW5, has seldom cut it so fine. The Soviet exhibition, in the last throes of storming the norm before Friday's official opening, has already been, in its way, an experience in Russo-British labour relations. Once the word got about that the Russians did not take tea-breaks, unofficial comparisons of working conditions were more or less inevitable. "Me," declared a Cockney voice in a private huddle beside a model hydro-station, "London area rates. No, no, five days, five..." There was much pantomime counting of fingers. "I'd say it was beyond the ordinary chaos," one of the Earls Court regulars allowed. Still, it is always hard to believe that exhibitions will ever really be ready. For their first London appearance the Russians have brought over 10,000 exhibits and done most of their own design and decoration. They mean business.

The exhibition portrays the Russians as a great, ingenious and self-confident people: this is not news. But they make no bones about their desire for trade. Representatives from the ministry of foreign trade in Moscow as well as from the trade delegation in this country will be on hand with authority to sign contracts for unlimited purchases on the spot, a businesslike approach that, they say, has not been demonstrated on such a scale before. British clients are advised that the best time for negotiations will be between 10 and 12 in the morning before the halls fill up with rouble-less exhibition-goers. The message that the Russians insist that they want to get across is not merely that they have machinery and consumer goods to sell here—"even a nuclear power station if you like"—but that their own society is developing at a pace which should open British exporters' eyes to the main chance. On July 30th, the day after the Earls Court show closes, Moscow is due to announce its economic programme for the next twenty years.

There is, naturally, an immense and apparent pride in the Soviet scientific and industrial achievements: the statistics are liberally distributed around the halls (those in the agricultural section are not free from the occasional nuance). The Soviet way of life is presented on two levels. There is the demonstration of state planning, perhaps most tellingly in the Khrushchev housing drive, the new towns and the set-pieces like the rebuilt Stalingrad. There is also the deliberate display of the ordinariness, the approachableness of the Soviet family itself. There is the bride in her wedding dress, the jazz trombonist at the club, the child clinic, the cheap and brassy-looking radiogram that would not be out of place in a Barking or Kilburn living room. There is even a display of tinned fish if you want it.

The captions and exhortatory messages can have a faintly Smilesian ring: "Exercises, gymnastics and sports mean sound

health for future workers." Some are baffling: "The labour reserves emblem is known everywhere in the world." Occasionally, and almost disarmingly, the tense on some huge placard is off-beat: "In the USSR sports is taken up by millions of people."

It all adds to the effect of a great striving to be understood, of a shout across a void.

The one gimmick to draw the bourgeois audience is the fashion display, with its flourish of blonde models and its intriguing news that there are over thirty Soviet fashion houses ready to set the trends. London's women correspondents, fluttering at the possibility that all this may have to be taken quite, quite seriously one day, have been phoning in for details about Moscow's personal tailors. All this reaches a different public from the massed, grey-green ranks of machine tools and the energetics exhibition. The soft sell is a sound touch. There are surprisingly few claims for Russian inventive "firsts." Lenin is quoted (topically and so excusably) on the relative place of the teacher in socialist and bourgeois societies. But the ideology, right from the opening mural of Nikita and Harold benignly seated at a diplomatic fireside (of yesteryear), is only discreetly present.

WHAT does it add up to? "Co-existence," said one of the Russians, "is really getting to know each other better." The crowds at Earls Court in the next three weeks are likely to come away with knowledge enough for at least two impressions. The first is of the unstinted effort that the Russian people have made since the war and, equally, of their growing consciousness that they now have the material evidence of success to show to any company, however critical or flippant. The second, even more closely related to British ideas of co-existence, is that no people, having toiled so long, could be prepared lightly to jeopardise its exertions and aspirations in an idle or avoidable conflict. Whatever its immediate influence on Anglo-Soviet trade (and the dig in British ribs is not intended to be an aimless gesture at this hour of dithering over the common market), the Soviet exhibition has a message very much of its own.



Hull's New Horizons

FROM OUR SPECIAL CORRESPONDENT
THE extension of fishing limits in northern European waters has hampered the operations, but not yet seriously diminished the yields, of the British trawler fleets. This is particularly true of Hull, where the past season has been unusually satisfactory. The lengthy phasing-in of the new twelve-mile limits, the mild weather of the past year (which, foul as it proved for landlubbers, could not have been better suited to fishermen) and the fact that, from Hull at least, no ship was lost in the past season have helped to cushion the blow and to maintain catches.

But these days of plenty cannot last indefinitely; and, for the conventional distant-water trawler, the early autumn is likely to bring the first constriction of supply as the fish move inshore within the new limits. Rather than continue a futile private war, the fishermen have resigned themselves with what grace they can muster to the inroads of new ideas.

These might not seem new in an industry less conservative than trawling. They consist in going farther to find fish, and in staying longer where the fish are. There is, however, a fairly hard limit to the length of time during which fish will maintain condition packed in ice—something less than the three weeks which is the limit of the conventional trawler's range. New systems of preservation will have to be accepted

(and, of course, paid for); and the latest, and German-built, addition to the Hull fleet, the *Lord Nelson* (1,200 tons), is among the first indications of the direction that British trawling will have to take if it is not to die.

Half the *Lord Nelson's* storage space will be given over to quick-frozen whole fish, struck solid within an hour or two of its taking from the sea; the other half (making up 250 tons) will be used for the time being as a conventional wet-fish store. By filling its refrigerated compartments before going on to wet storage it will be able to maintain its catch in prime condition for up to five weeks; and it will stay out until it is full, thereby pretty well assuring itself of profitability. Its journeys will be more expensive than those of smaller trawlers, but the newly announced £17-a-day-at-sea subsidy to distant-water vessels may save the housewife's purse if not the taxpayer's.

The freezer-trawler is an answer, but only a partial one; for the frozen fish will have to be thawed and possibly refrozen for sale, adding at least one more operation to the train between catch and customer. Another company (rather earlier in the field) has built three trawlers, of much greater size, which are in fact floating factories, going farther, staying longer on their (Newfoundland) grounds and processing their catches completely—naturally at considerably higher cost. The *Fairtry* ships stay at

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sea for up to three months, and, instead of being whole-frozen, their fish are stripped, filleted and made ready for market on board. They employ 90 men apiece: the *Lord Nelson's* crew is 26 and the conventional trawler's 18. Both the *Fairtry* and the *Lord Nelson* have rationalised their working to the extent of hauling their catches up a ramp cut through the stern rather than swinging it, in the traditional manner, over the starboard side.

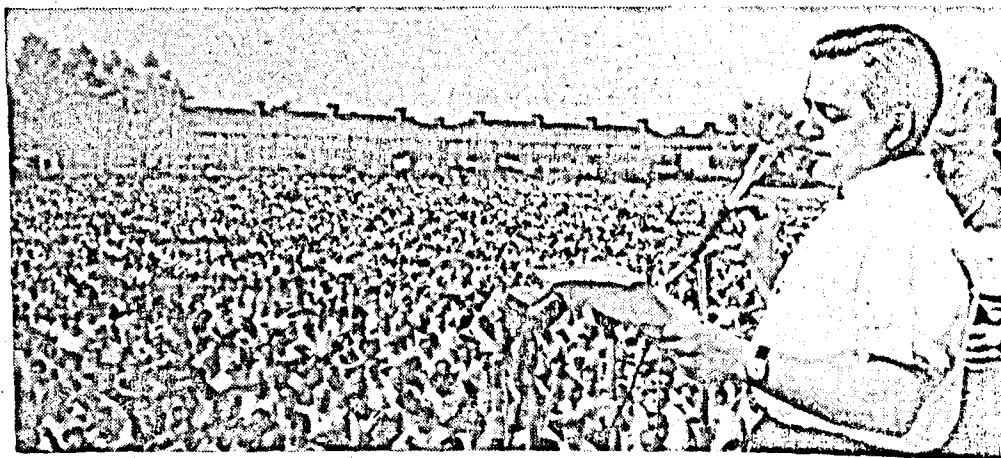
BUT even the factory-fisher is not the whole answer. The logical development is towards larger ships, freezer-equipped, going even farther afield, to the untapped riches of the African and South American coasts (well south of the equator, since tropical fish suffer an unpleasant and irreversible change on freezing). But the relation of manoeuvrability and economy to size limits this development unless the mother-ship system, used in whaling with a fleet of tiny catchers, is attempted. And this avenue is in turn blocked by the inability of anyone, so far, to devise a means of transferring bulk fish at sea without damaging them and without making the catcher as elaborate a mechanism as its factory ship.

No sort of remotely economical floating "keep" seems feasible (an hour of rough weather would ruin the catch); and a submersible keep, while maintaining excellent condition, still presents almost insuperable handling problems. The Russians, it is said, have gone as far as experimenting with a submarine trawler, unaffected by weather, time, or the proximity of its mother-ship.

Striking Habits

IT is all too easy for the observer of strikes in the motor industry, befogged in the moralising arguments which flow so freely from both sides, to believe that car workers' strikes are merely a symptom of a deeper malaise—boredom or bloody-mindedness—engendered by up to fifty hours a week of repetitiveness on a production line. Two essays by Mr John Bescoby and Mr H. A. Turner, in the current issues of the *Manchester School* and the *Oxford Bulletin of Statistics*, can help the optimist to believe in a more rational causation.

A valid point is that the severity (not the frequency) of strikes depends on whether or not they are declared official by the unions whose members are involved. Another is that in the bigger firms more days are lost through strikes at times when cars are selling badly, although in the small companies the reverse is true. This is the case despite the fact that more strikes begin in periods of boom (perhaps because longer hours are worked, and tired men are more militant). The authors argue that, during a slump, union officials are more inclined to make strikes official in the big firms since they know that loss of production will not annoy the employers, but merely lead to a reduction in subsequent short-time working. In the minor firms, on the other hand, the



Dagenham militants: official in slumps

unions may be aware during recessions that by striking they may drive the weaker employers to the wall, and thus destroy their own jobs in the future.

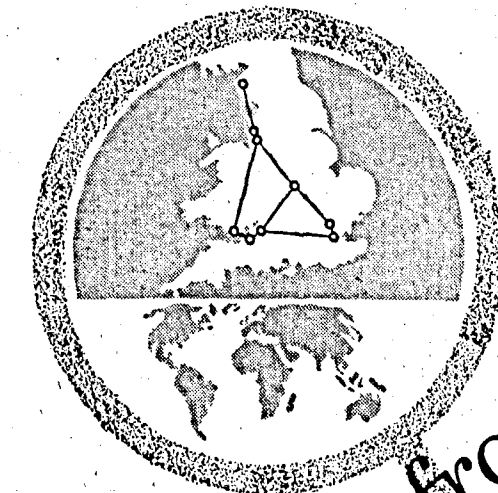
The major issues over which strikes now occur are wage-structures and redundancy: not a single one was traced to threats to reduce the basic wage rate. This, the authors reckon, reflects the fact that workers now demand security of employment as an element in their basic working conditions: they might also have mentioned that few employers would nowadays dare to attempt a wage cut.

Perhaps the most useful observation is

the reminder that Vauxhall's, where a senior manager is in charge of labour relations, practically never has a strike at all—while BMC, with no apparent overall labour policy for its scattered factories, has by far the worst recent record, fairly closely followed by Ford: these two firms are responsible for over two-thirds of the car firms' total strike losses. The authors put the problem in its place by showing that, in recent years, the average car operative has only lost two days a year through strikes: they also, dispassionately, make an impressive case for remodelling the industry's negotiating machinery from both sides.

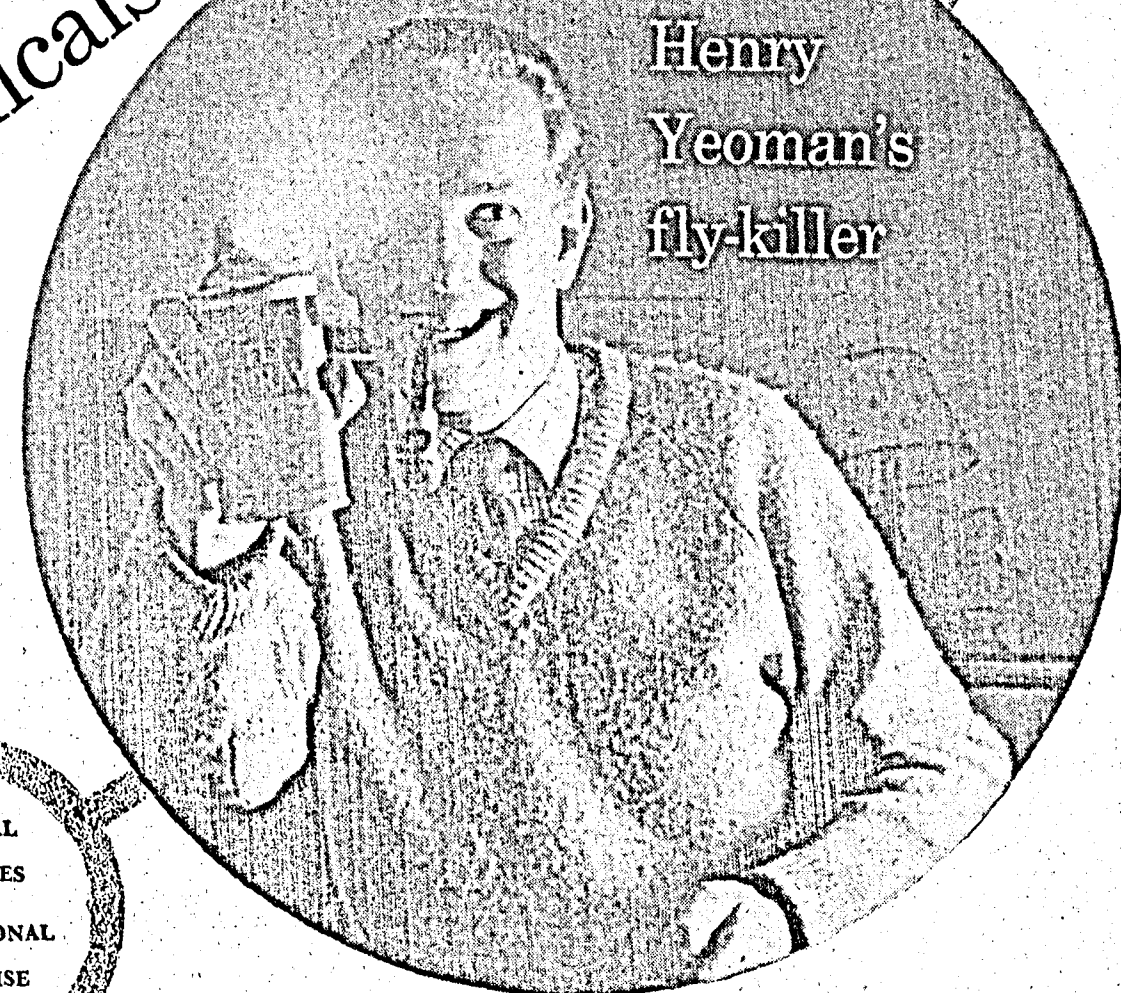
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Chemicals from Widnes

...and
Henry
Yeoman's
fly-killer



CHEMICAL
COMPANIES
INTERNATIONAL
ENTERPRISE

Man of action—Henry Yeoman. Doesn't suffer flies gladly. Once indoors—and it's certain death. No more taking swat luck with a newspaper. Just one quick squirt with deadly aerosol fly-killer. That's where chemicals from Widnes come in.

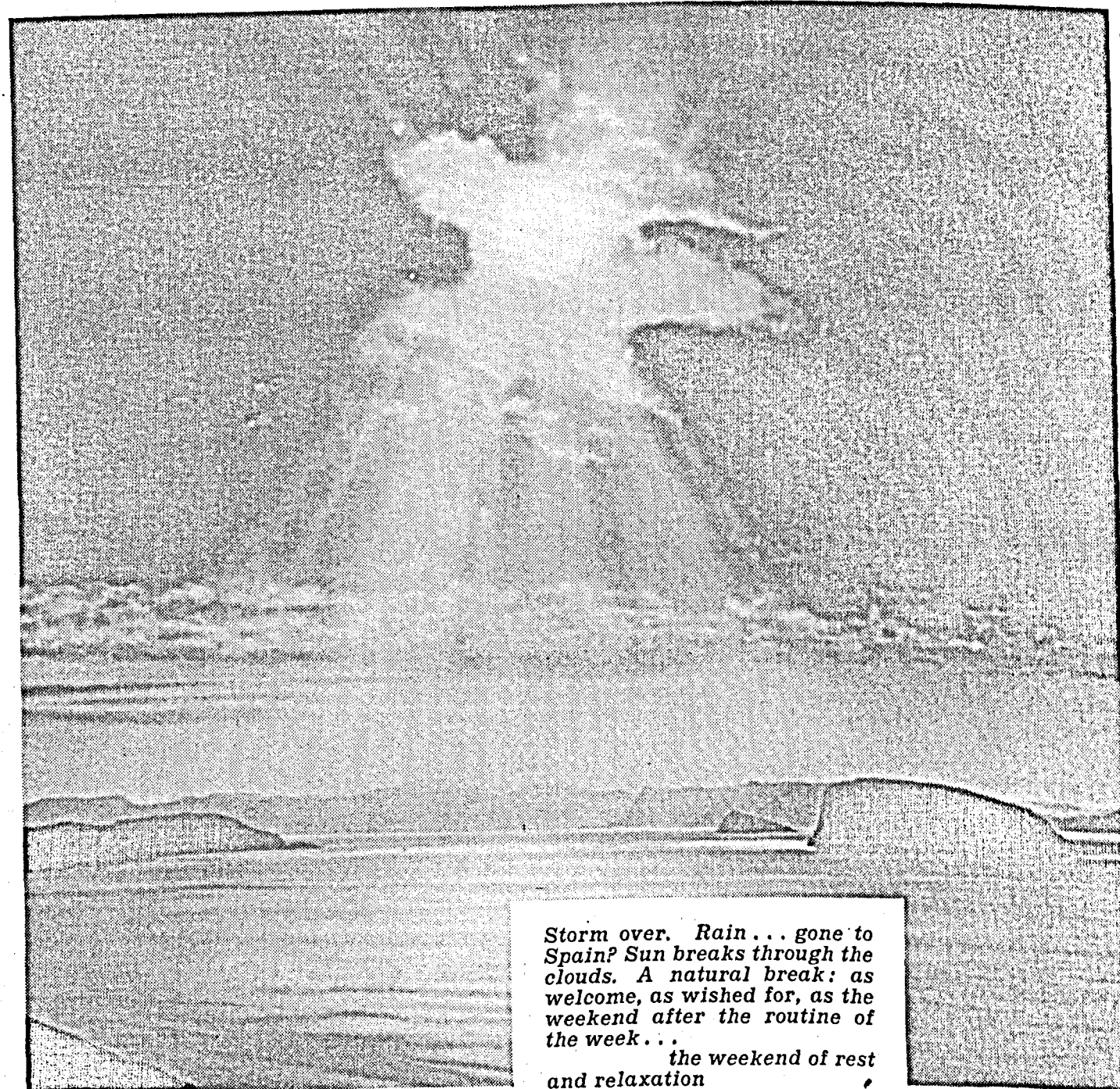
Albright & Wilson (Mfg) Ltd.—one of the companies of the Albright & Wilson Group—makes carbon tetrachloride at Widnes. And carbon tetrachloride is an important raw material for most of the

propellants used in aerosol products, from air-fresheners to deodorants—and fly-killers. In fact, it's thanks to chemicals from Widnes that Henry Yeoman just can't miss!

This is only one of the ways in which A & W chemicals play a part in the life of Mr. Yeoman. As one of the biggest organisations in the British chemical industry, the Albright & Wilson Group contributes—but we could go on like this...

THE ALBRIGHT & WILSON GROUP





Storm over. Rain... gone to Spain? Sun breaks through the clouds. A natural break: as welcome, as wished for, as the weekend after the routine of the week...

the weekend of rest and relaxation

*The weekend
is the
most natural break
of all*

A member of the Associated British Picture Corporation

Television makes the weekend There are favourite programmes to look forward to and new ones to try. There's something for all the family on ABC Weekend Television, when all the family are home to enjoy it.

Television sells at weekends when families are relaxed and receptive to new ideas. At the weekend your commercials on ABC Television penetrate deeply: sell effectively.

ABC Television—15 million people every weekend, half the ITV population of England and Wales: the largest coverage of any single ITV company. ABC is the natural choice for advertisers selling in the Midlands and North of England.

**ABC
WEEKEND
TELEVISION**
NORTH AND MIDLANDS

THE BUSINESS WORLD

Sterling's Test

THE fate of the pound, and therefore of world exchange arrangements as a whole, is likely to be decided before the August holidays: the economic statement that the Chancellor of the Exchequer must make by then may be its final test. Sterling has been under heavy and almost unrelieved pressure for four months. It is a forbiddingly long period. In the past uncertainty about sterling has snowballed quickly, and forced the Government to concentrate its policy equally quickly. This year has been different. The Swiss, German and other European central banks have agreed to counter the actions of exchange operators and to put money into London while private holders are pulling it out. In this way the monthly losses of gold shown by the Bank of England have been kept down. The published loss of £151 million in the four months to end-June is considerable for a season in which London should be gaining reserves, but it is much smaller than the outflow of private funds in this period. The extent of this central bank assistance has successfully been kept secret. One of the few clues is a rise of £83 million in disclosed official holdings of sterling in Western Europe in the three months to end-March—covering one month of the four. But while central bank support has given continuing relief, and has prevented speculation from running utterly beyond control, speculation continues with no abatement. The reason is simple. Fears about sterling are not now based on Britain's ability to carry the short-term burden of withdrawals of capital—the international credit arrangements look after that. The fears are about the competitiveness of Britain's economy, about the sluggishness of British exports and the ever-upward course of British costs.

It is now almost a commonplace that previous corrective measures in Britain have largely by-passed the economy's basic weaknesses. The authorities have periodically applied piecemeal measures; their financial policy has been orthodox in the accounting sense; but the economy has manifestly failed to respond. Any such diagnosis—and it is now widely accepted both abroad and at home—must lead to a prescription of a new kind, boldly directed to long-run needs and facing the inevitable short-run resistances that have inhibited its application up till now. Specifically, Britain's chronic postwar weaknesses have been wage inflation, extravagant use of labour and excessive protection; and it is these that must now be frontally assaulted, with rather more attention from the Prime Minister than he has been inclined to give to home economic affairs in the past year or two. The Bank of England, in its quarterly bulletin published this week, is itself pretty

blunt. Much further effort must be directed towards increasing British exports; and this

may only be possible if the pressures that lead to a rising trend in industrial costs are kept under control and if industrial capacity continues to be improved and expanded.

This is no prescription for blinkered retrenchment. Lord Cromer begins his reign as governor of the Bank in critical weeks; it is to be hoped that he will not pull his punches.

The Government ought to be under no illusions. If its forthcoming measures comprise simply some variant of the familiar package—cuts in public expenditure, increases in indirect taxes, perhaps with an increased Bank rate thrown in—they may well be as irrelevant to external confidence as to internal needs. The two animals have always been fundamentally one. This is more than ever true this year. The international credit arrangements entail neither a permanent subsidy, as feared by some people in the creditor countries, nor any artificial ritual of retrenchment, as feared by Labour politicians. What the credit has provided is time for the working out of considered plans of reform that the domestic economy itself has long needed.

The British Government has now had four months' time, following all the time it borrowed in 1960 (again sensibly enough) by pulling in short-term private funds. A convincing programme for improving Britain's competitiveness is itself likely to require further credit in ensuing months. That is no real handicap. It is well recognised in foreign financial circles that the key point for sterling is not whether the current balance improves or deteriorates by a fraction in the second half of 1961, but whether anything is done to put it on a sound basis for 1962 and after. Indeed, if the British Government once again ducks the long-term issues, it cannot be taken for granted that either the European central bankers or the International Monetary Fund would agree to provide much further credit. Why should they?

THE responsibility resting on Mr Selwyn Lloyd, and perhaps still more on the Prime Minister, is thus very heavy. An inadequate response will damage not only the immediate future of sterling but also the prospects for wider international credit themselves, for which the British authorities have long been rightly pressing. The conservative argument against these schemes has always been that they enable and even encourage the recipients to leave their basic problems untouched, and some critics belonging to this school are

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already pointing the finger at Britain. They must be shown to be wrong.

It would be sad indeed if the cause of international credit were to be compromised by Britain itself at this stage. The battle against outdated monetary ideas is difficult enough without giving them a gratuitous boost. The vague misgivings that many conservative bankers instinctively feel were voiced throughout Europe last week by M. Jacques Rueff, who has periodically had wide influence in French economic affairs. Anyone who believes that there is a satisfactory alternative to improving and extending international credit should re-read those articles carefully. For M. Rueff's own analysis carried him to an *impasse*. His unqualified rejection of the "insidious" gold-exchange standard led logically to only two possible solutions: something like the Triffin plan for replacing reserves in national currencies by international credit, or a rise in the price of gold. But neither solution was acceptable to a mind so rooted to the natural discipline of gold; and the end of all M. Rueff's dramatic analysis was a proposal for

an international conference—ordered, somehow, to "undo" the terrible evils wrought by another conference in Genoa forty years ago.

In one sense the Rueff articles served a useful purpose; they showed, more convincingly than could anyone of the opposite school, that there is no ordered way of putting the clock back. Gold: gold exchange standard: key currencies backed by IMF: true international credit—this is a natural progression. But the qualified, inarticulate support that M. Rueff drew, partly reflected in a revival of private buying of gold, is a reminder of the resistances that this progression already evokes. These resistances could clearly gain new force if the proponents of wider international credit reached an *impasse* of their own making. If, on the other hand, the British Government now takes the right kind of steps—and one should not assume too readily that it will not—the cause of more ordered international payments could attract determined international support, backed by an effective contribution from Britain.

Lifeline for Uranium

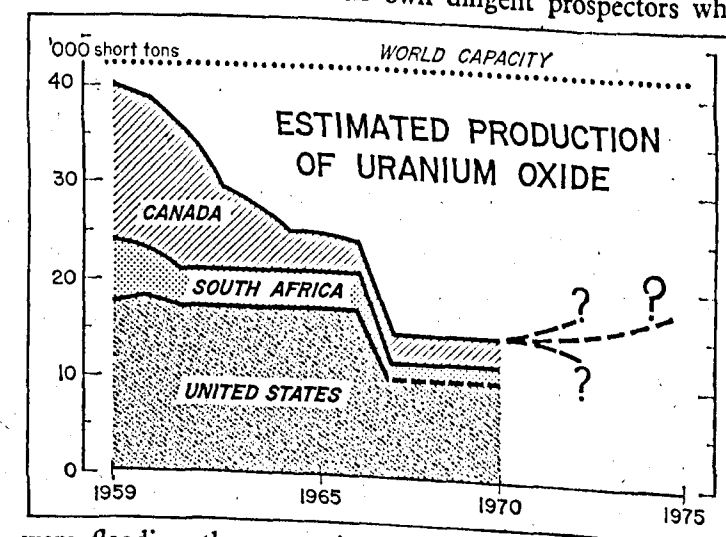
Uranium mines face a lean decade with some hope of better times after 1970

URANIUM's descent into hard times is expected to reach its nadir about 1967; it is easy, therefore, to understand the Canadian's government's anxiety to hold the Atomic Energy Authority to its letter of intent to buy 12,000 tons of uranium concentrates. A letter of intent is some way short of a contract—this is the point of argument in Ottawa in recent weeks. But if past intent becomes future fact, this business could give Canada's uranium industry the lifeline it needs between 1966, when the present contracts expire, and the 1970s, which is the earliest that buyers might come back into the market. Between the dates stretches the prospect of five barren years when it will take a miracle or a nuclear war to produce new orders for more than a few tons of uranium. To stay alive, the best mines in Canada need a throughput of 1,500 or 2,000 tons a year—which a windfall deal in 12,000 tons could provide. The Atomic Energy Authority does not want uranium; when outstanding orders have been delivered, it will be holding five years' stocks and the 12,000 tons now being argued about might represent another three or four years' consumption—it is difficult to be sure since no one knows how much will be needed for atomic weapons. If, therefore, the AEA helps the Canadian government in its bridging operation, it will be justified in demanding a slashing cut in prices. Not that a cut in uranium prices would stimulate consumption—even free uranium could not do that.

The uranium industry's troubles are twofold: they combine the effects of over-production of uranium ore and disappointed expectations about nuclear power. These are separate matters and one has quickly followed the other. Over-production arose out of ignorance about the size of the world's uranium deposits and even of the countries where they were to be found. When scientists developed the atom bomb, uranium was a commercially worthless mineral. Rapid search for workable deposits to supplement supplies from the Congo

revealed uranium in the South African gold mining belt, in Australia and in Canada. More detailed search revealed deposits all over the United States, with some of markedly high grade.

America's plentiful supplies did not emerge until Britain and the United States, acting through their joint Combined Development Agency (to which Canada also belongs), had entered into long-term commitments for uranium at high prices with South Africa, Australia and Canada. The American authorities found themselves obliged to take uranium both from Canada and from their own diligent prospectors who



were flooding the processing plants with uranium ore. It was soon clear that the United States was self-sufficient in uranium and that some of its richer deposits could undercut all but the best of the Canadian mines. The United States government, therefore, decided not to renew its contract with the Canadians when it expired in 1963 and so cut the main prop which supported the Canadian uranium industry. The chances of the United States ever importing uranium again look slim.

Over-production followed directly from these rich discoveries in the United States which boosted world production

of uranium oxide to more than 42,000 tons a year in recent years, about a quarter of it added to the stockpile. The writing was on the wall in 1958, when many countries outside the United States, though still committed on paper to sizeable nuclear power programmes, were beginning to think again. One by one, these nuclear programmes have been trimmed or postponed to the 1970s. In Britain, the only country with a sizeable nuclear building programme in hand, construction has been slowed down and the programme effectively halved; and it has sufficient uranium on order to meet all foreseeable requirements at least until 1971. Uranium mining faced a virtual shut-down when existing contracts expired.

THREE courses were open to the producers, all of whom had satisfactorily protected themselves against this hazard by the terms of their contracts. (They had received \$11 to \$12 per pound of uranium oxide, a price high enough to write off the entire cost of the mines during the contract period and to provide the more efficient producers with handsome profits.) The easiest course was to let existing contracts run and close mines piecemeal as each completed its orders. This is being done in Australia. The second course was to re-negotiate the contracts by competitive bids. With plant fully amortised, a number of mines could sell uranium today at prices ranging from just under \$3 up to \$4. The richest American and Canadian mines can show a profit at \$3 a pound, because they use new large extraction plants with costs that are lower by \$2 to \$3 a pound compared with older treatment plants. Mines with lower grades of ore and smaller throughputs could not live with uranium oxide at \$3, but it has been admitted in Canada that the big producers should be able to get along at \$4 per pound, and would be in clover at \$5. Some South African mines might also show a profit at \$3 a pound or perhaps even less. Taking their plant as written off, their costs of producing uranium would be little more than the cost of chemicals to extract the small uranium residues in their gold slimes. In this respect, South Africa stands apart from other uranium producers, since uranium can only be a by-product of gold production.

Unfortunately for these low-cost producers, uranium is currently insensitive to price. The cost of primary uranium is a mere fraction of the total cost of nuclear power; quartering its price will not cause one more nuclear power station to be built. So the mines, seeing the hopelessness of new contracts at competitive prices as a stimulant to demand, have instead preferred to stretch out deliveries at the old, high prices, so keeping a good deal of the old, high profits. Orders that would have been completed in Canada by 1963 have been stretched to 1966 and South African deliveries have been stretched from 1966 to 1970. The lower rate of output involved in this stretch-out puts the less efficient mines out of production, so that the biggest, cheapest producers can be run at maximum efficiency. Ghost towns are re-appearing in the Canadian bush where the empty houses rot during the long, hard winter with three-quarters of the population gone in search of work. Only inside the United States have prices been cut. There the Atomic Energy Commission, instead of negotiating separate prices with separate producers according to costs (these have ranged from \$4 to \$12 a pound), is offering a flat \$8 a pound to home producers—a generous

price by today's standards but lower than some of them have received in the past.

UNDER all these arrangements, production of uranium oxide is expected to fall from around 40,000 tons a year to 27,000 tons by the mid-1960s and 16,000 tons by 1967. Whether it goes lower still will depend on the turn of events in Britain and Western Europe. If Britain agrees to take the 12,000 tons of Canadian concentrates, it would provide work for Canadian mines perhaps until 1970, but not enough to solve their difficulties. Some additional output might be sold at home in Canada, in Western Europe, India and Japan—not in France, which has its own mines. Although these stations would not need a big tonnage, supplying their initial charges could make a difference for the uranium mines. The problem is peculiarly Canadian. In the United States, producers look to their own government for protection. In South Africa, the mines have contracts that do not expire before 1970, when nuclear power may be reaching a turning point. From that date onwards, piecemeal investment in nuclear power stations is expected to stimulate a steady volume of demand for uranium.

The rate at which demand picks up in the 1970s will be slower if Britain agrees to take the 12,000 tons of uranium from Canada, for this will have to go into an already bulging stockpile and thus postpone by two or three years the date when new supplies are ordered. The Atomic Energy Authority, therefore, is justified in demanding a highly competitive price from Canada, but it is difficult to determine what the "right" price might be. There has never been a free market in uranium, and while some mines could break even at \$3 a pound, it is not certain what tonnage they could provide, and for how long, before their developed reserves run out. The Atomic Energy Authority appears more anxious to maintain steady prices than to pick up bargains and perhaps more disturbed by the possibility of a second shortage caused by driving mines out of business than by the present size of its stocks. In its negotiations with Canada, the AEA is making its own complex calculations about prospective world demand, the rate at which this will exhaust known deposits, and the price required to call forth a given tonnage. It is also pondering whether a new agreed price should provide a sufficient margin of profit to encourage producers to continue exploration and if so, how big this margin should be. Amortisation of a new mine, for example, would probably not be much less than \$2 a pound. Its calculations seem to be leading towards a price of around \$5 a pound, but not more; this seems quite generous enough in view of Canadian admissions that this price yields a good rate of profit.

Some mines would certainly settle for a lower figure if they could get a bigger share of the cake. They have other reasons for appearing to be as competitive as possible at this time. Contrary to the views of the Atomic Energy Authority, the miners think it will be a long time before anyone has to prospect seriously for new uranium deposits; some of them doubt whether demand will catch up with the industry's present capacity of 42,000 tons of oxide a year much before the turn of the century. They expect a competitive battle to develop between uranium producers in Canada and the United States for orders in Europe. The Canadian mines hope to carry the battle into the enemy camp by selling direct

to American companies, if they are allowed to buy nuclear fuel. This could mean selling uranium for \$3 a pound or even less—the price would in the end be determined by the production costs of the best mines in the United States. But it may take ten or fifteen years before the consumer of nuclear power begins significantly to feel the benefits of any such price cuts. Britain alone must hold roughly 20,000 tons of

uranium in stock bought at old prices and valued in very round figures at perhaps £150 million. Its civil power needs to 1970 are for 2,000 to 3,000 tons a year; its military consumption is unknown, but perhaps nearly as much again. As they tighten their belts, the uranium producers can say "we built an industry for nothing while the fun lasted." How much of the industry survives will involve a good deal less fun.

IMPERIAL TOBACCO

King-Size Minority

BRITAIN'S approach to public policy on "single firm" monopolies has been the empirical one of piecemeal investigation and recommendation. This process has been taken a considerable step further by the proposal of the Monopolies Commission, in its report on the supply of cigarettes and tobacco and the supply of cigarette and tobacco machinery, that Imperial Tobacco Company should divest itself of its 42½ per cent equity holding in Gallaher—its main, and indeed now virtually its only real, competitor. This holding, the commission accepts, has been treated by Imperial purely as a trade investment: Imperial has not influenced, or sought to influence, the Gallaher management in their conduct of their now highly successful business, nor, it told the commission, does it intend to do so in the future. But the commission conceives it to be possible that at some time the company might decide otherwise. Moreover, the stimulus to efficiency provided by Gallaher's recent success, mostly at Imperial's expense, would be even greater if the company were not cushioned, through its shareholding, from complete loss of profit on trade won by Gallaher. A further cause of concern to the commission is that Imperial's holding of such a large minority interest in the only British tobacco company that overseas manufacturers (mainly American) might now be interested in buying effectively safeguards it from this kind of foreign competition.

To this extent the commission is saying, in effect, that Imperial Tobacco has been too successful a monopoly. It was formed by thirteen British tobacco firms almost exactly sixty years ago to head off the threatened invasion of the British market by Duke's American Tobacco Company. It bought shares in Gallaher thirty years later for precisely the same reason

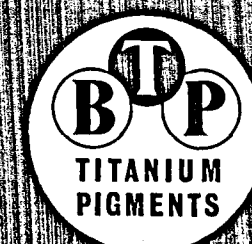
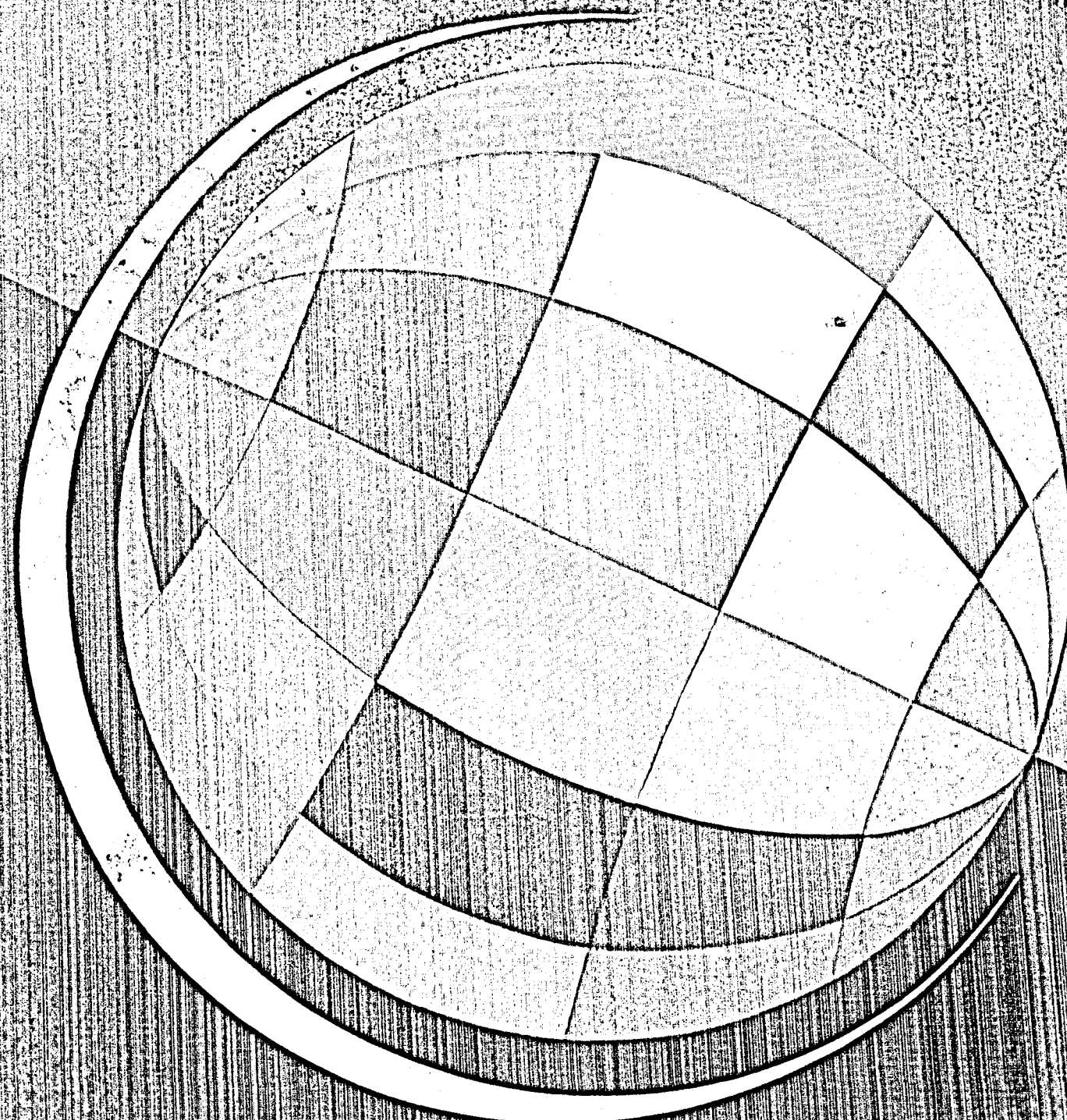


after it learned that American Tobacco, which a few years previously had acquired J. Wix (makers of Kensitas and still owned by American Tobacco), contemplated buying control of Gallaher. This, somewhat ironically, was when Gallaher was a very small manufacturer and before it had acquired the company making "Senior Service," the brand upon which Gallaher's subsequent drive to a 30 per cent share of the cigarette trade has been based. Between 1932 and 1946, Imperial actually owned a controlling 51 per cent interest in Gallaher, but chose not to exercise that control. In 1946, shortly after the Cohen committee on company law amendment recommended that holding companies should publish consolidated accounts, Imperial decided to relinquish even nominal control: by not taking up in full its rights in a Gallaher issue Imperial Tobacco brought its holding below 50 per cent.

THIS naturally raises the interesting, but partly speculative, question whether the commission would have come to any different view if Imperial had retained and used its original control over Gallaher. It holds that a minority interest, by a manufacturer with just over 60 per cent of the market, in another manufacturer, with almost 30 per cent, is against the public interest. But would the same view be taken of a group as large as the two companies together and conducting itself with as much restraint and making as reasonable a profit on capital employed (between 11 per cent and 14 per cent) as Imperial does now? In the case of British Oxygen

four years ago, which was supplying no less than 98½ per cent of the oxygen and dissolved acetylene used in this country, and which the commission held to have made "unjustifiably high" profits, the commission recommended price control by the Board of Trade. It did not suggest that BOC be broken up into smaller companies. Mr Maudling can now hardly avoid having to lay down some kind of public policy on "single firm" monopolies. Imperial Tobacco, according to its chairman, Mr Roger Clarke, will not willingly accede to the commission's recommendation that it sell its Gallaher stock: an enforced sale of £40 million or more worth of shares is not the easiest transaction to arrange, though this is not the only way. On the day the commission's report appeared, Gallaher 10s. ordinary stock fell by 3s. 7½d. to 40s.

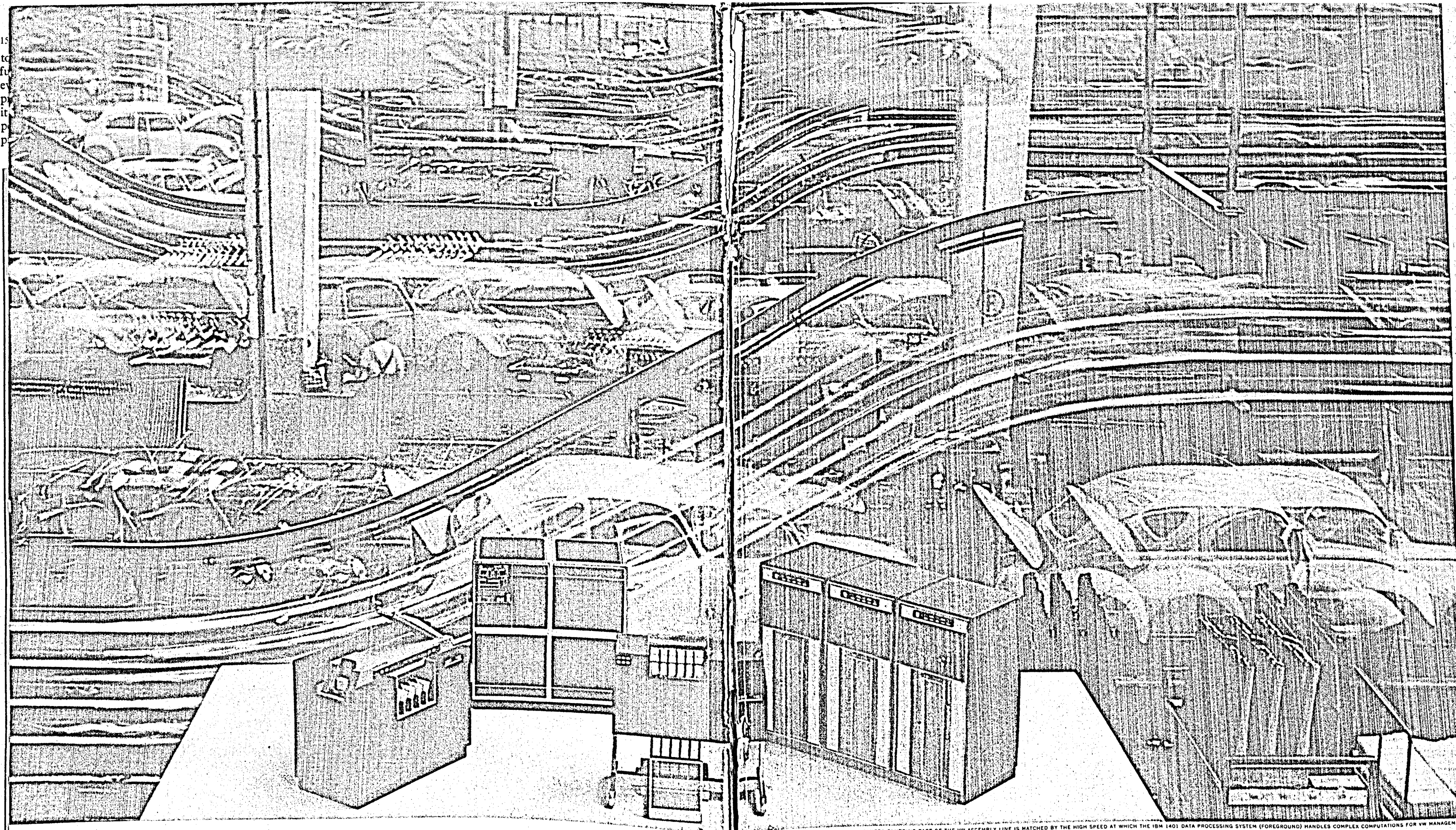
Whatever Imperial's sins in the past in moving to stifle competition, mainly in the 'thirties when it successfully brought coupon trading to a halt, stopped price cutting by tobacconists, and headed off competition from cheaper cigarettes made from Empire leaf paying the preferential rate of duty, the commission takes the view that the company's present, but somewhat shrunken, dominance in the tobacco industry does not offend the public interest. Nor does the 55 per cent grip on the cigarette making machinery market of Molins' Machine Company and Imperial's position as predominant buyer in that market. The commission finds fault in Imperial's rebate scheme for tobacconists, which is based upon the amount of display retailers give to Imperial brands and operates, the commission finds, to restrict competitive efforts by the smaller tobacco companies. It mentions, but does not discuss, the company's long standing agreement with British-American Tobacco Company, which precludes Imperial from exporting and BAT from selling in this country, since this agreement has been registered and will eventually come before the Restrictive Practices Court. Rather surprisingly, the commission accepts Imperial's argument for retaining resale price maintenance on tobacco goods. In a persuasive dissent, Professor G. C. Allen argues that price competition among tobacconists might work back to the manufacturers. This, he comments, would really serve the public interest.



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How to keep track of 4000 Volkswagens a day

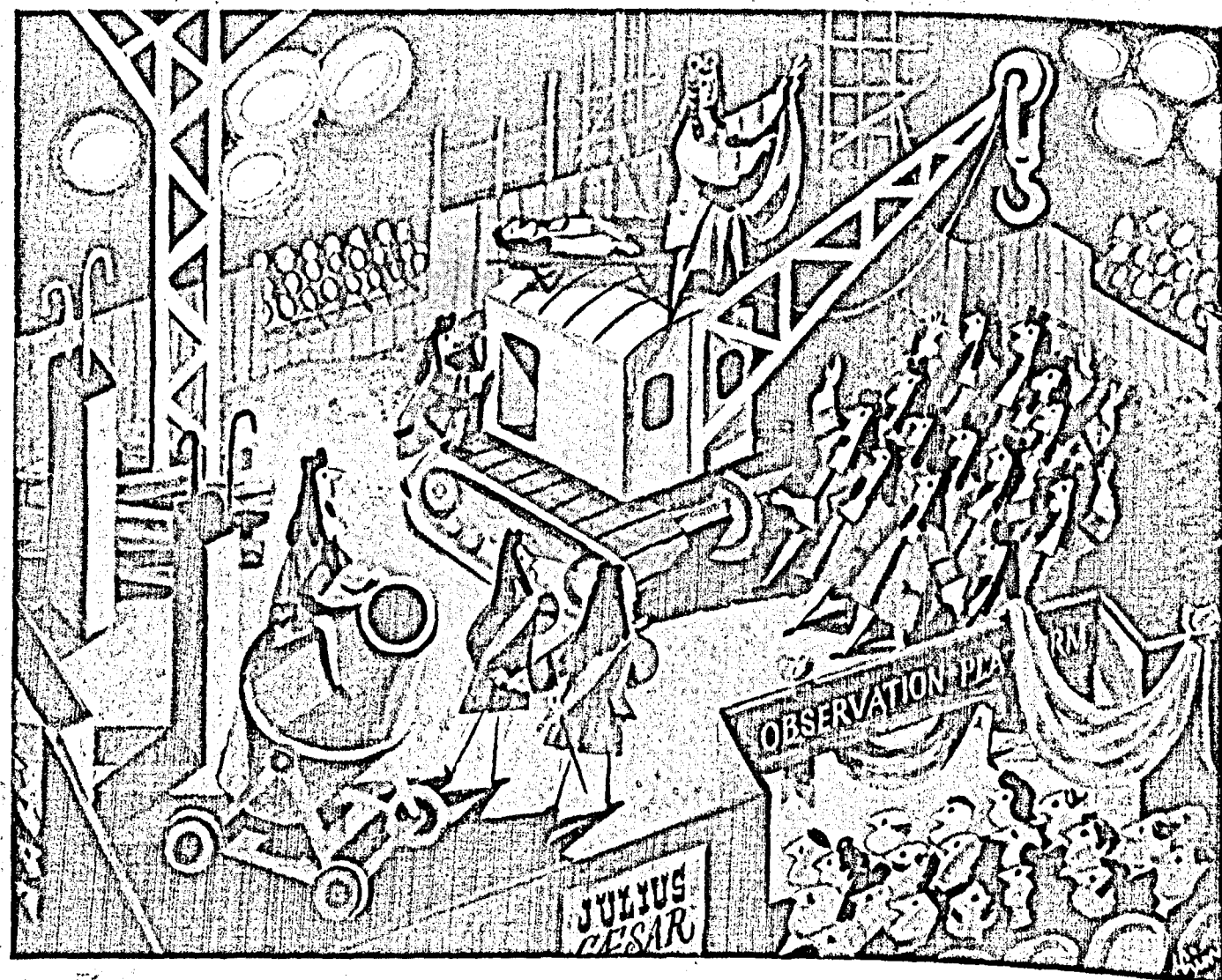
The auto makers are putting a lot of bounce into Western Europe's economy these days. Volkswagen, for example, turns out 4,000 cars a day, employs 65,000 people, has risen in just thirteen years to a top spot among West Germany's industrial enterprises.

For this kind of dynamic growth, management must be on top of its problems every minute. At Volkswagen, IBM data processing systems help in maintaining this tight control. An IBM punched card with each order helps schedule colours and accessories to match demand.

IBM computers analyse employee and sales statistics, make up pay rolls and statements. VW's engineers are using IBM data processing systems for such problems as figuring crankshaft vibrations.

While you've been reading this, half a dozen cars have come off the Volkswagen line. We hesitate to say just how many computations the IBM 1401 computer has carried out—but it multiplies a six-digit by a four-digit number in two thousandths of a second, which gives you an idea.

IBM



The Unibersity of Schweppshire



REPORT ON DRAMA. The amalgamation of S.H.R.O.U.D.S. and the Foglamps resulted in a successful year, although a modern English play by Schwesker, translated into Rumanian and acted on the circular staircase of the 13th century Tower of All Spirits by 12 bus conductors chosen and rehearsed at random, did not get good notices. "If a play is basically something to be seen it must be seen." Accepting this principle, Stükl adapted his version of the Old King Cole story, with its chorus of junior astronomers dressed as nuns, to a specially constructed inverted dome on infra-red telescope lines. Later in the year, deliberately choosing a theatre which was not a theatre, the committee courageously hired, for its *Julius Caesar* in Old Pretender costume, the building site for the new Budds and Hocking Central Stores. "What we liked about it was that the setting was really *used*," said the *New Schweppsmen*. If it seemed natural to the actor saying rhubarb to sit on a concrete mixer when he said it he sat on it.

Future plans are many. Already in rehearsal is the new anonymous drama with its famous television-watching scene set in a nurses home. Though post-sink in tempo, the costumes are Aegean in flavour. Indeed even the director is wearing archipelagic clothes based on recent excavations.

Written by Stephen Potter; designed by George Him

SCHWEPPERESCENT LASTS THE WHOLE DRINK THROUGH

BUSINESS NOTES

IN THE MARKETS

Still in Retreat

EQUITY prices have fallen sharply again this week. By Wednesday the *Financial Times* index, which had stood at 322 before the week end, had dropped to 308, 56 points below its peak in mid-May and only 15 points above its low-point in December. The *Economist* indicator has fallen from 383 to 368 on the week. The volume of selling remained small and the stock market had the appearance of orderly retreat rather than rout. The jobbers have kept their books well balanced, marking down prices sufficiently to damp down selling. Economic uncertainty continues to overshadow the retreat and this was made a little darker this week by another portentous but unspecific statement from the Chancellor, the publication of the gold and dollar figures, fresh news from companies about the pressure on profit margins and of more big issues of capital on the way.

Gilt-edged prices have been just a little steadier, but only because some investors were wondering whether the fall could possibly go much further. They are now asking the same question about equities. The fall in many industrial groups has been sharp, and blue chip yields, though still not lavish in a fair number of cases, at least no longer look as thin as they did in the spring. The average yield on the 30 stocks in the *Financial Times* index and on the 50 stocks in The *Economist* indicator is 5 per cent. Marks and Spencer still offers only 2½ per cent, but Unilever yields 3½ per cent and ICI just over 4 per cent.

Such yields are sufficient to make the bargain hunters nibble a little, as they did on Thursday, pushing the *Financial Times* index up to 311.2, but whether they are sufficient to bring buyers back in force is another question. For one thing, investors are faced with big calls for new money. The affairs of some of the companies that will be making their appeals soon are discussed

RECENT RIGHTS ISSUES

	£ mill.		£ mill.
Distillers	31.9	Hudsons Bay	4.0
Midland Bank	24.1	Smith & Nephew ..	3.0
Royal Insurance ..	22.0	Ass. Fisheries	2.4
Colvilles	15.3	Rover	2.3
Stewarts & Lloyds ..	13.2	Transport Dev.	2.2
Wall Paper	10.0	Hovis	2.1
Barclays D.C.O.	6.1	Simms Motor	2.1
Guardian	5.8	Anglo Auto	1.8
Mercantile Invest. ...	5.5	Ransome & Marles ..	1.4
Bk of Lond. & S.A. ..	4.6	Aveling Barford	1.2

† Includes special offer for sale.

on pages 194-197, and some recent rights issues which have either drawn money from the market in the last two months or will do so in the next few weeks are listed in the accompanying table. These relate only to

issues raising more than £1½ million each, and they add up to the formidable total of more than £150 million. In the boom, these issues would have been welcomed as adding to the supply of stock. Now sentiment has changed and the market realises that these issues will largely pre-empt the money that institutional investors are willing to put into equities.

This lesson was driven home this week when Colvilles announced a £15 million rights issue; the shares will be offered at 57s. 6d. each on the basis of three-for-eight to ordinary shareholders and of 99 shares for every £400 of the 6 per cent convertible debenture. Before the announcement Colvilles shares stood at 66s. They are now 57s. 6d. The fall has occurred despite the directors' indication that the dividend will be 16 per cent, putting the shares on a yield of 5½ per cent. Colvilles, in fact, will be a money stock until the end of 1963 and earnings on it, the directors say, may be reduced. About £83 million still remains to be spent on the Ravenscraig strip mill but the directors hope to finance this without borrowing more than £45 million from the government, which is prepared to lend up to £50 million.

THE EXCHANGES

Quieter, Not Better

TURNOVER in sterling this week has been rather quieter than of late; the pattern has remained much the same. Immediately after the week-end the spot rate showed a temporary recovery, as holders who had gone very short of sterling over the week-end covered their essential needs; by mid-week the rate was drifting down again, being held at \$2.78½ by the Bank of England. Announcement of a gold loss of £47 million in June had little effect. The forward discounts remain high, at the equivalent of 4 per cent per year against the US dollar on three months' swaps, and higher still on an annual basis for shorter periods. The Bank of England has not repeated the aggressive action it adopted at the outset of speculation last March, of first letting the rate fall and then flooding the market with dollars and forcing the rate up. In the present mood of the markets there is little that technical tactics can achieve. But some market dealers had been wondering why the Bank did not let the spot rate fall nearer its limit of \$2.78. On Thursday, in response to further

market selling, the authorities did let the rate down to near \$2.78½.

Holdings of sterling everywhere have their eyes glued to the British economy and the Chancellor's forthcoming statement. Somewhat remarkably, they have given hardly a passing thought to Kuwait—which evidently reflects a different estimate from the government's of the nature of the threat. In the House of Commons, the Chancellor of the Exchequer declined to be drawn on Mr Nabarro's contribution to the favourite City game of guessing Kuwait's sterling balances. Mr Nabarro's £300 million is smaller than some of the figures that have been bruited round. The Kuwait affair has, however, had an impact on the gold markets, where buying from the Middle East has followed on the Continental purchases set off last week by the ruminations of M. Rueff. On Thursday the dollar price in London rose to \$35.09½—above the New York selling price, though still well short of the notional "shipping parity."

The Canadian dollar has fallen a little this week, to 96½ US cents. Some dealers report that the Bank of Canada has intervened to check the fall, whereas the previous week it is believed to have operated the other way. So far, however, official intervention on either side has been modest, and more in line with the old policy of steadying minor movements than with the new one of driving the rate down.

SPACE AND ROCKETS

Out of the Wood?

THIS has been a good week for rocketeers. The German decision to join the space club, though grudging and heavily hedged with reservations, saves Blue Streak from the scrap heap. The sizeable Swedish order for the anti-aircraft missile, Bloodhound, cheers on the British Aircraft Corporation. Bloodhound was originally developed by the Bristol Aircraft Company, now in BAC, and Ferranti. The Swedes have been testing a small batch bought some years ago, and since they have come back for more it is possible that this missile may indeed be as good as the RAF claims it to be—perhaps ending the long rivalry between the RAF, which sponsored Bloodhound, and the Army with its Thunderbird.

The reprieve for Blue Streak does not mean that Mr Thornycroft's space club has arrived. The German decision in principle, to join and to accept Blue Streak as the first stage of a European space rocket, is only a first step. Two further stages are needed to put a satellite in orbit, and the Germans seem less ready to accept an Anglo-French

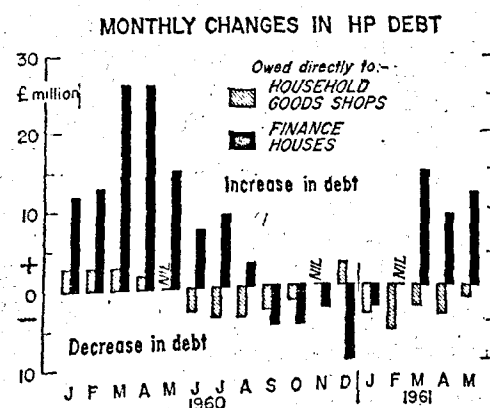
arrangement that would give France the design of the sizeable second stage and leave the relatively small third stage to other members of the club, presumably Germany. German industry seems determined to demand a larger share and there is likely to be tough bargaining before a settlement is reached on who builds—and pays—for what.

Britain's share of the bill seems likely to work out at the £90 million already spent on its development as a ballistic missile, plus £23 million, or a third of the £70 million thought to be required to complete its conversion into a space launcher. The scientific dividends to be expected from this massive investment are, perhaps, the least important of the returns expected. In canvassing for members of the space club, British spokesmen have stressed the military and commercial rather than the scientific benefits of going into space—military because the United States would not have the monopoly of big rocket engineering, commercial because of the big future expected for communications satellites and the indirect benefits to industry of mastering rocket technology. Scientists in Western Europe, husbanding their not over-generous research budgets, would have settled for something smaller and simpler but this would not launch a communications satellite, the first possibility that the industries of Western Europe wish to exploit.

HIRE PURCHASE

New Boom—Last Squib

THE fall in hire purchase and other instalment debt that followed the reimposition of terms controls in April, 1960, has now been almost reversed. Total debt rose by £10 million in May to £949 million, only £12 million below the peak of July, 1960. By now it may be at a new peak. In May, as in the previous two months, the rise in debt owed directly to finance houses offset the continuing fall in debt owed to household goods shops, whose total debt fell by £2 million to £306 million—£32 million lower than in May of last year. The debt owed directly to finance houses of £643 million has now passed last August's peak of £633 million. New credit extended by the finance



BUSINESS NOTES

houses, whose main business is in vehicles, which had fallen in April, rose in May by 15 per cent, largely in response to an increase of 9,000 to 99,000 in new and used car contracts recorded with Hire Purchase Information. This buoyancy in motor sales has continued into June with 97,300 contracts registered. Contracts for commercial vehicles are 10 per cent up on a year ago, but contracts for motor cycles and scooters at 32,000 are well down—indeed, they are 14,000 below June, 1959.

Speculation on the troubles of the hire purchase industry was naturally revived last week when Bowmaker passed its interim dividend to meet a loss approaching £1 million by its subsidiary, Midland Counties Motor Finance, through a combination of general mismanagement and fraud in the period to October 31, 1960. A few people suspected that something was wrong, but they had no idea that the eventual loss would be so high. Other finance houses, however, are not unduly perturbed by this new revelation: the loss relates, after all, to the year to October, 1960. The general feeling is that there is always one squib that explodes after the fireworks party is over. For Bowmaker, the lesson appears to rest in the dangers of allowing too much local autonomy, but the question that remains is how a "substantially inadequate" provision for bad and doubtful debts can have been allowed. The directors of Clydesdale Supply Company have failed to find a buyer for this ailing Glasgow company, which operates over one hundred shops doing hire purchase and rental business, and with a trading loss of £800,000 they are recommending voluntary liquidation. One of the few hire purchase companies to get through 1960 without mishap is Regional Facilities, a small private company with outstandings of some £250,000. Its bad debts are just £755—the price of a medium-sized car.

EXPORT CREDITS

The New Facilities

THE Export Credits Guarantee Department has agreed in principle to provide medium-term finance guarantees for three export contracts worth more than £30 million. These will be the first credits guaranteed under the scheme introduced last April to help finance exports of major capital goods for periods of over five years. The contracts are still in negotiation, but it is known that they are for a steel mill, the extension to an existing mill (India's Durgapur?), and a tanker. The steel mill contracts call for credit of thirteen to fifteen years and the finance for the period over seven years will be managed by Lazards through its consortium of 28 insurance companies organised for this purpose. This will absorb the whole of the consortium's present resources of £11½ million, but Lazards hopes that by the time new ventures appear resources will have been augmented by par-

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ticipation from pension funds.

The Bank of England, in its latest quarterly bulletin, has now given an interesting account of why it decided on its own scheme to aid export finance—comprising the introduction of refinance facilities for the banks on export credits with less than eighteen months to run—and why it turned alternative courses down. The problem was to prevent the squeeze on bank liquidity affecting the supply of export credit. A selective release of special deposits was rejected largely because it would prejudice the character of what is intended to be a general credit control. Establishment of an export credit corporation was turned down largely because it would itself be difficult to finance—the banks would be reluctant, deposits from the public could be only short-term, while insurance companies dislike debentures of less than fifteen years. The objection to granting a general right of rediscount for export paper was that it would result in a wholesale increase in liquidity, would saddle the Bank of England with an obligation for substantial sums, and anyway would offend against the principle of rediscounting only paper that is self-liquidating.

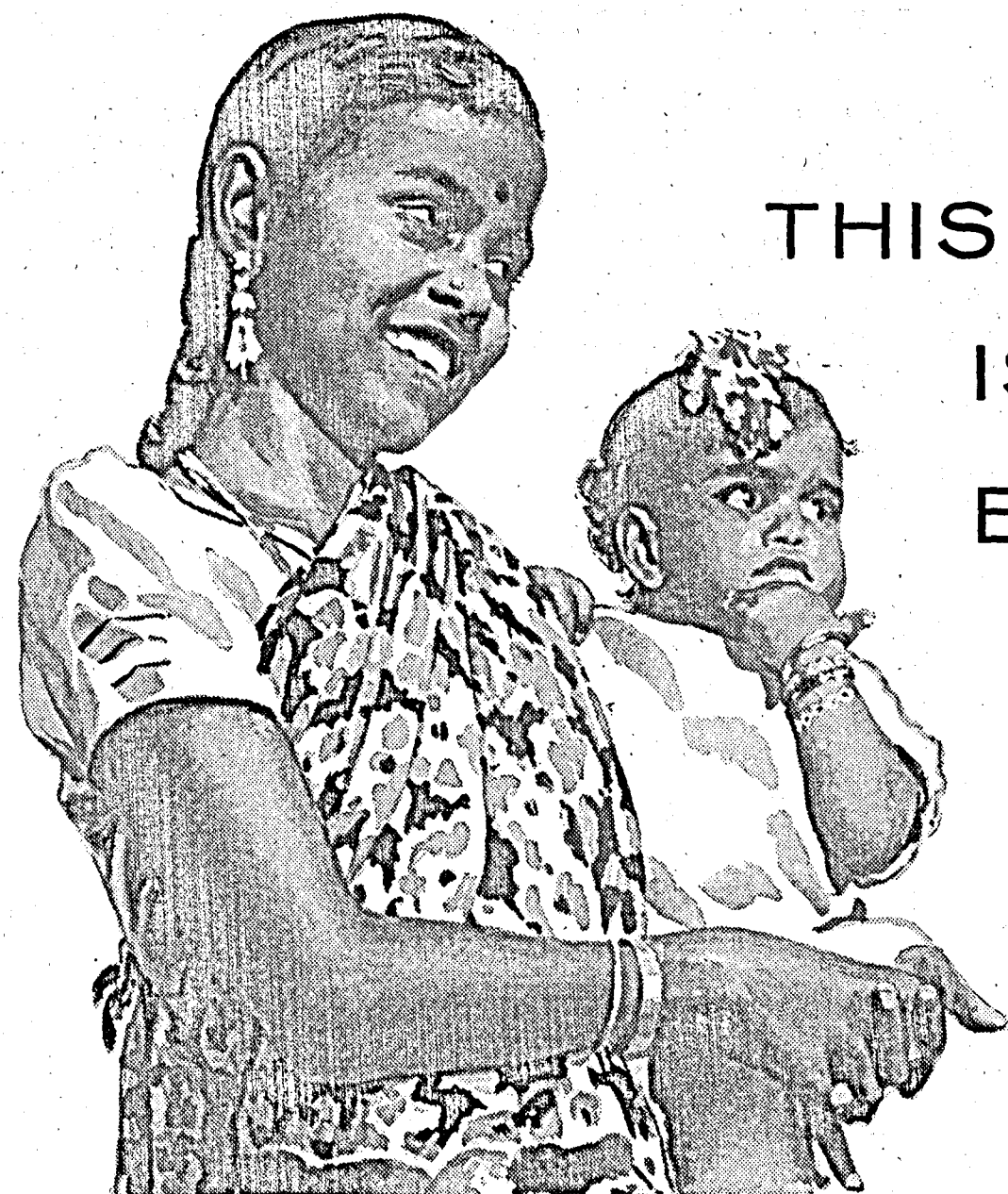
RETAIL TRADE

Steady Spending

PEOPLE did not, after all, spend less in the shops in May, as the provisional estimates had suggested. The Board of Trade's final index, after seasonal adjustment, of 115 (1957=100), was the same as in April. But this stability masked a slight fall in the (seasonally adjusted) sales by durable goods shops, offset by a slight increase in sales by food shops; clothing and footwear shops recorded a steady level of business.

The apparent set-back to sales of durable goods was the first since the recovery started last December. A drop of 2 to 3 per cent in the seasonally adjusted index may not be too significant, but the figures suggest that any falling-off was entirely in cash sales. For while the total turnover of the shops failed to show the expected seasonal rise between April and May, credit sales of household goods shops rose by 4 per cent. Multiple shops selling radio and electrical goods, whose trade includes a particularly high proportion of credit business, did especially well; their total turnover rose 5 per cent between the two months, bringing it 22 per cent above the level of a year earlier when trade had dropped sharply following the re-imposition of hire purchase restrictions.

Although the level of retail turnover remained unchanged, seasonal factors apart, between March and May, prices of things bought over the counter rose about 1 per cent; the volume of business, therefore, fell about 1 per cent. This still meant, however, that people were buying about 1 per cent more goods than a year ago.



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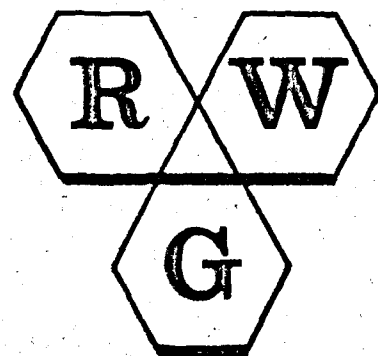
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DRINKING WATER FROM SEA WATER



THE LARGEST VACUUM FLASH EVAPORATORS IN THE WORLD, TO BE BUILT BY RICHARDSONS, WESTGARTH & CO. LIMITED

The Government of Curacao has awarded to Richardsons, Westgarth & Co. Limited a contract for two vacuum flash evaporators, each capable of producing from sea water 1,400,000 Imperial gallons of drinking water a day. These will be the largest evaporators ever built.

Richardsons Westgarth, pioneers of the vacuum flash evaporator in Great Britain, now have in operation or on order:

- Vacuum flash evaporators with the largest individual output in the world.
- Vacuum flash evaporators producing the largest total combined output of fresh water in the world.
- More land based vacuum flash evaporators than any other manufacturer.

With plant in operation in Great Britain, South America and many parts of the Middle East, Richardsons Westgarth experience in this highly specialised field is at the disposal of all who require supplies of fresh water for domestic or industrial use. Consultants for this contract are *Stichting Nederlands Adviesbureau Voor Ingenieurswerken in Het Buitenland*, The Hague, in association with *Tebodin, Advies-en-Constructiebureau NV.*, The Hague.

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INDUSTRIAL RESEARCH

Value for Money

THE rising cost of research has brought new demands of value for money from those who provide the financial backing. The Department of Scientific and Industrial Research, which makes annual grants totalling £1.8 million to various industrial research associations, appears to have done some stern talking to some of them. "It is not possible to lay down an absolute minimum level of expenditure below which co-operative research organisations in general would not be viable or profitable," says the DSIR's report on its industrial grants, but following paragraphs make it plain that some of them are below that limit already and the department threatens to withdraw its support from them.

Strength through combination has become popular. The cotton and rayon industries have agreed to merge their research associations into one organisation covering cotton, silk and synthetic fabrics. The plastics and rubber manufacturing industries have agreed "enthusiastically" on a joint research plan. These cover big and wealthy industries; the knife makers, who have "now placed the Cutlery Research Council on a sounder financial basis," are far smaller. The DSIR appears to have thought carefully about helping small industries that cannot support effective laboratories of their own by farming out research with larger research associations with similar interests. There have been some grumbles that the DSIR is beginning to take on the functions of a Science Ministry—partly because industry is being chivvied into the idea that research should yield results. This is good. So is government support for the new British Industrial Biological Research Association which is to study the effects of chemicals in food.

Civil Engineering

ALL the important recent advances in civil engineering have originated in some country other than Britain, so the appeal launched this week for £250,000 a year to finance research in civil engineering in Britain is one that the industry can hardly afford to ignore. The appeal has been made by the Civil Engineering Research Council, a new body set up by the Institution of Civil Engineers, the Federation of Civil Engineering Contractors, and the Association of Consulting Engineers. The Department of Scientific and Industrial Research has offered to add nearly as much as the industry itself subscribes to the funds of the council. It does not intend setting up its own research facilities. It has plans similar to those of the new machine tool research association, and will finance projects that originate in universities or commission

studies by them and in government or industrial laboratories.

Which Way in Gas

THE changes the Wilson committee suggested to the Minister of Power last August concerning the allocation of work between the various bodies conducting

research into new processes of making gas from coal could at least be said to make for a tidier arrangement than the present pattern of partly overlapping and, in some directions, possibly fruitless effort. Mr Richard Wood has now announced his acceptance of the committee's logic. The Gas Council—as eventual user—is to take over responsibility for further work on Lurgi plants, on high-pressure slagging gasifiers, which, given sufficient backing and interest, may lead to improvements in the standard Lurgi process of total gasification of coal, and on any other gasifiers suitable for making town gas, such as the Otto-Rummel gasifier. The Gas Council is

Municipal Money Market

HIDDEN within the City's narrow streets an important and little-publicised market is quietly booming. It has none of the City's romantic connections with the past and its real growth dates from the mid-fifties, when the Government turned the 1,761 local authority treasurers away from the doors of the Public Works Loan Board. The market in money for local authorities has few members but a considerable and growing turnover. There are six firms and a number of stockbrokers (who can recognise a good thing when they see it) in the market. The largest firm, Short Loan and Mortgage, has only a dozen employees; with Long, Till and Colvin it does two-thirds of the business. The turnover averages about £7 million a day (i.e., thousands of millions a year) and £20 million is not unknown, although a high portion of this figure involves the turnover of money at call or seven days' notice. Not surprisingly, the commission on any transaction is very small—usually less than one-eighth of one per cent.

Capital investment by local authorities now amounts to £650 million a year, about one-sixth of the national total, and in the year to March 31, 1960, over half of this expenditure was financed by external borrowing. All but £53 million came from mortgages (so-called because the security for the loan is a mortgage on local revenues) and unsecured temporary deposits, which are an alternative to bank overdrafts. Since 1955 the total loan debt of the local authorities has risen from £4,186 million to £6,056 million, just under half of this increase coming from mortgages and about £600 million from temporary borrowing.

Since in 1955 the PWLB became a lender of last resort, it has provided new money only to those authorities that have failed to get satisfaction from the market, which in effect means only some of the very small authorities. At the same time, stock issues can cover only a small part of new borrowing, since the smaller authorities are effectively barred by the

minimum of £3 million; and in any case it may take years to reach the head of the new issue queue. Moreover, some treasurers still feel that interest rates are abnormally high—as they have done for years—and rather than pay over 6½ per cent on a 15 to 20 year issue prefer to take a short-term mortgage in the hope that rates will fall.

THE LATEST RATES

Duration of Loans or Deposits	PWLB		Mortgage market	
	Dec. 1960	July 1961	Dec. 1960	July 1961
Seven days	6¼	6½	5	6
Up to 5 years	6¼	6½	6¼	6½
5-15 years	6¼	6½	6¼	6½
15-30 years	6¼	6½	6¼	6½
Over 30 years	6¼	6¼	6¼	6½

Funds invested in local authority loans come mainly from the merchant banks, the foreign and overseas banks, trusts, insurance companies, pension funds—though local sources can also be very important. A considerable part of the inflow of overseas money that came to London in the second half of 1960 was lent on short-term to the local authorities; and when, after the Continental revaluations of early March, this money began to disappear, rates in this market hardened. The market now sets the pace; last month PWLB rates were duly adjusted, as the table shows, but since then there has been a further rise in market rates.

This week, following the new departure made by Derbyshire County Council in June, Staffordshire County Council is making a direct offer of bonds at a discount—of one point on bonds repayable in seven years and bearing interest at 6½ per cent. These issues—Derbyshire's brought in £1½ million—are made under local Acts and the discount is limited to ½ per cent for each year of the bonds' life, with a maximum of £5 per cent. At the moment only a few local authorities have the power to issue unmarketable bonds at a discount, but the next local government legislation is expected to extend this power.

already working on it, despite doubts about its potential usefulness, as it has the merit of not needing oxygen. The Coal Board, on the other hand, will be responsible for all development work on producer gas plants in which the gas supply industry can hardly be said to have a major interest.

At present two different designs of slagging gasifiers (in which the ash waste is turned into a liquid so that it may be removed as slag) are being developed by teams with different objects, at Solihull by the Gas Council and at Leatherhead by Constructors John Brown under a ministry contract. Since it is unlikely that both projects will find a useful application it seemed reasonable for the Wilson committee to suggest that their best features should be combined. But it will not be easy to bring both under one general direction.

Reservations about this rearrangement of responsibilities for research arise, further, from doubts about the depth of interest the gas industry has at present in total gasification of coal among all the other hydrocarbon sources—such as imported methane—that it now considers may be open to it. Until the Minister of Power has adjudicated the dispute between the coal and gas industries over the future sources of supply for British town gas—in essence between reforming imported methane and enriching lean Lurgi gas made from low-grade British coal—the coal industry is hardly likely to have a great deal of confidence in the Gas Council's keenness on complete coal gasification. Development of slagging gasifiers, moreover, is ultimately dependent upon the existence of large-scale Lurgi plants. The Wilson committee, in assuming that carbonisation must remain the most important method of processing coal in this country, may have underestimated the considerable opportunities that total gasification offers to both coal and gas. Mr Wood seems to

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have appreciated this: the present joint study of Lurgi economics by the Gas Council and the Coal Board, he said two weeks ago, may be extended to include slagging gasification and he hoped that it will also provide a basis for further co-operation between the two boards in work on total gasification.

FUEL DEMAND

More Awkward Facts

FORECASTING future fuel demand has gone out of fashion since actual fuel consumption inconveniently, and seemingly inexplicably, fell away some five years ago. The flattening out of industrial output from 1956 until early 1959, higher than normal average temperatures in 1957 and 1959, shifts in the pattern of production between heavy fuel using industries and others, and a decided but not wholly calculable gain in fuel efficiency made varying

INLAND CONSUMPTION OF PRIMARY FUELS

	1956	1957	1958	1959	1960
Coal	214.0	207.6	198.7	186.9	195.7
Black oil	15.0	15.7	23.1	28.8	35.6
Other oil	23.0	21.5	24.5	27.4	30.1
Nuclear and hydro-electricity	1.3	1.7	1.6	2.0	2.7
Total	253.3	246.5	247.9	245.1	264.1

Coal: per cent of total 84.5 84.0 80.0 76.0 74.0

contributions to this awkward divergence of fuel use from trend after the middle fifties. But part of the change still remains statistically unaccounted for.

Now students of the form have a year of considerably increased fuel consumption to fit into their curves and formulae. Total inland use of primary fuels (in terms of coal equivalent) rose exceptionally by 7½

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per cent in 1960, while industrial production and total output in the economy both rose by 6 per cent. Although last year was still slightly warmer than the long-run average, it was 1.4°F cooler than 1959. The rise in industrial output was led by some of the heavier fuel using industries, such as steel. Household consumption of fuel—mainly taken as electricity—rose sharply. And there was a smaller improvement than usual in fuel efficiency—particularly, for instance, at blast furnaces where the gain was only a third of the improvement achieved in previous years. This combination of circumstances, the June issue of the Treasury's *Economic Trends* points out, was in complete contrast to what happened between 1958 and 1959. Average temperature then rose by 2°F, large fuel using industries, like steel, did not fully share in the rise in industrial output, and there was a substantial improvement in fuel efficiency. Even after allowing for last year's cooler temperatures, the increase in fuel use was still proportionately more than the higher level of activity in the economy would lead fuel statisticians to expect.

INTERNATIONAL LOANS

A Burst of Activity

WHEN the future of the exchanges is uncertain, such private lending and borrowing over national frontiers as continues tends to be guided by an exchange view as much as by comparative lending terms. In the circumstances it is surprising that the momentum of international lending this year has not slowed down more; and an active business is still being done by the international agencies. In the past fortnight a number of important international loans have been announced.

On Wednesday the South African Treasury announced that the International Monetary Fund had agreed to grant further assistance—in a stand-by credit of the equivalent of \$75 million, to be drawn in various currencies. This follows South Africa's drawing of \$37½ million last December, and makes available 75 per cent of South Africa's quota. Since this aid has been needed entirely to offset an outflow of capital, the current account being in strong surplus, it is to be hoped that no more will be heard of the legal complications for such operations supposedly presented by the Fund's Article VI. The fall in South Africa's reserves has been reversed in the two weeks since exchange controls were imposed on overseas sales of its securities.

The most notable private loan of recent weeks bears the marks of current exchange uncertainties. Argentina, in a loan of \$25 million handled by a consortium of European banks, including Barings of London, has agreed to a multi-currency clause that not only guarantees the investor against devaluation of the peso but gives him a stake in appreciation of the mark

Miss Woolveridge will be looking after 40,000 accounts



...she is working at the control panel of the first Barclays Bank electronic computer. The opening of our No. 1 Computer Centre this week will make little apparent difference to the customers at the twelve West End branches it will serve. The book-keeping of their 40,000 accounts will be done by the computer; the information, coded on to punched tape, will pass between branch and centre by teleprinter; the only visible change will be that customers' cheques will be 'personalised'—that is, every cheque will have printed on it the customer's name and the number of his account. But the Centre is the heart of one of the most advanced systems of banking automation in the world, and represents a major advance in bank book-keeping and an important step in our continuing attempts to keep the cost of a banking account down. 'Automation' may sound to some a chilly, impersonal kind of process, but it will be operated by people brought up in the Barclays tradition of personal service. Miss Woolveridge and her colleagues have some very wonderful, very modern equipment; it will help us to maintain into the future the high standard of banking service our customers have come to expect.



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From the Bank's Bulletin

Two new tables from the wealth of statistical material, a good part of it new, in the Bank of England's latest quarterly bulletin.

THE PUBLIC BUYS GILT-EDGED

	Mar. 1960	June 1960	Sept. 1960	Dec. 1960	Mar. 1961
Sales (—) or Purchases (+) by (£ million)					
Clearing banks ..	-229	-123	-62	-24	-85
Scottish banks & discount houses	+30	-9	+23	+41	-67
Overseas official funds	-33	+59	+53	-13	-2
Home & overseas "public"	-113	+104	+188	+194	+44
Total	-345	+31	+202	+198	-110

Treasury bills:—					
"Public" holdings	+167	-62	+177	+4	-155
Banks & overseas official	-292	+28	-71	+48	-288

The pace of public buying of gilt-edged slowed down in the first quarter of 1960, but it was still £44 million—making £530 million in twelve months. It would be surprising if it continued into the latest months of exchange uncertainty.

UK TRANSACTIONS IN OVERSEAS SECURITIES

	Gross new investment	Gross repayment	Market transactions	Net outflow (—) or inflow (+)
With:—				
1958:—				
Sterling countries	-52	+13	+17	-22
Non-sterling	-19	+8	+2	-9
1959:—				
Sterling countries	-41	+16	+22	-3
Non-sterling	-13	+18	+32	+37
1960:—				
Sterling countries	-33	+15	+33	+15
Non-sterling	-20	+14	+28	+22

These figures, which analyse cash inflows and outflows on overseas securities reported to the Bank, suggest that in both 1959 and 1960 Britain was importing capital on balance through this channel. The big liquidations presumably included South African securities and, in 1960, Wall Street equities.

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Of course, you may be the sort who deplores planning, who wants to push off and roam at will. So be it. But it's nice to know that wherever you go, you are not far from a Shell Service Station which will do its best to help you—whether you are looking for barbers in Seville or Lautrecs in Toulouse.

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THE ECONOMIST JULY 8, 1961

or the Swiss franc as well. Redemption is to be by drawings between 1967 and 1973, and the average redemption yield is 7½ per cent. This is the Argentine government's first loan in Europe since the war, and it presumably regards these stringent terms in the nature of a re-entrance fee. At the same time, Argentina has received its first loan from the World Bank—\$48½ million for roads. Interest here is at the bank's usual 5½ per cent including commission; the term is sixteen years. Another loan for improvement of road transport has been granted by the World Bank and the International Development Association together, for a total of \$25 million. The World Bank is also providing \$15 million to the Industrial Credit and Investment Corporation of Pakistan, in a loan that has no fixed schedule of repayment or fixed interest charge.

For its own source of finance the World Bank continues to look mainly to Europe, and this week it has raised its first loan in Italian lire—15 billion lire, equivalent to about \$24 million, in 15-year 5 per cent loan bonds at par. This notable operation marks a recognition of Italy's creditor status; it is the first international issue on the Italian market since the war. At the same time, a traditional Continental capital exporter, Holland, has recently reopened its market for foreign issues. Borrowers include the European Investment Bank—which recently put money into Germany. Finally, the New York capital market is raising a further \$25 million for Australia.

LOCAL EMPLOYMENT

Hazy Figuring

THE Select Committee on Estimates came away rather unhappily from its brief look at the administration of last year's Local Employment Act. It was upset first of all to find that, although no forecast of likely expenditure was put into the explanatory and financial memorandum attached to the original bill—unlike that for the Cotton Industry Bill, which has since proved to have been remarkably accurate—the Board of Trade had in fact done some figuring of its own. The board's witnesses explained this omission on the grounds that their calculations were very "rough and ready." They reckoned that about 80,000 jobs would have to be provided to bring unemployment in development districts down to the national average. On the assumptions that each job would require £700 worth of building and £700 worth of plant and that the whole of this capital cost would be provided by the Government in the form of loans and grants, the "upper limit" to Government spending under the Act was calculated to be about £112 million. Since this was the probable maximum, rather than a realistic estimate, the board decided to keep it to itself. The committee took the contrary view. The board's own

BUSINESS NOTES

estimate bore no relation to figures of past spending under repealed Acts—which were set out in the memorandum—and it argued that even a qualified forecast would have been better than none at all if parliamentary control of expenditure was to be effective.

The Board of Trade, perhaps understandably, was found to have over-estimated the rate at which its provender would initially be drawn upon. It budgeted for an outlay of £19.2 million in 1960-61, the first year the Act was in operation. Principally because of the time taken to process applications, it actually paid out only £11.7 million. This year the board reckons it will have to spend £30.1 million, of which £18.1 million will be on projects already committed. So far it has had no reason to doubt this estimate, and the Select Committee was prepared to accept it. But the committee strongly objected to being given information by the board's witnesses about current activities that had subsequently to be corrected and it was even more displeased to find that the board's officials were

not "equipped adequately to deal with the questions asked on the administration of the grants for which the department is responsible." This "undermined" the committee's confidence in the figures it was given and led it to propose that a full inquiry into local employment expenditure should be held in a later session.

PLASTICS

Tales of Over-Capacity

VISITORS to the International Plastics Exhibition at Olympia a week ago were brought back to the harsher realities of their industry if they listened to some of the papers read to the International Plastics Convention. They heard Mr D. G. Owen of Imperial Chemical Industries estimate that world sales of polyvinyl chloride at 1,200,000 tons compared to capacity for 1,700,000 tons; and Mr W. A. Woodcock,

HONGKONG'S TEXTILES

Terms for a Truce

REPRESENTATIVES of the Cotton Board tactfully omitted to discuss a renewal clause in the three-year pact negotiated with the Hongkong industry in 1958, although the undertaking did make provision for withdrawal by Hongkong if economic conditions in the colony deteriorated. So the colony's manufacturers were originally left with an impression that no extension was contemplated, and recently believed that they still had time to posture before the agreement expires next January. Clearly if the pact was to be renewed it would have to be extended before buyers began to order for the coming year. But now things have come to such a pass in Lancashire that the Government has suddenly dropped its insistence that the two industries should negotiate a new agreement, and is putting forward its own proposals for extending the pact up to the end of 1962. As Mr. H. A. Angus, Hongkong's Director of Commerce and Industry, says in a letter to local manufacturers, the proposals "do not offer any significant scope for further modification." Hongkong's manufacturers are simply asked to volunteer their acceptance.

The proposals contain three main concessions: an increase of one-eighth in quotas; supplementary quotas to be granted after reviews of import requirements next year; and exemption from quotas extended to imported cloth converted into a range of goods for subsequent export. If Hongkong accepts these proposals, a supplementary quota of 10 million square yards of grey cloth would be granted this year. However, if imports of cotton yarn into Britain increase significantly, they would be restricted for the first time.

According to the British Government, restraint will be needed until Lancashire settles down after the re-equipment scheme, which stretches to the summer of 1964. But some manufacturers hold that their re-equipment programmes depend upon some form of assurance that imports will continue to be restricted. However, the advice Lord Rochdale gave manufacturers last year to go ahead with re-equipment in the expectation that the import problem would be satisfactorily solved proved sound. Though quotas are the most harmful means of protection both for the domestic industry and for exporters, if the international textile conference which will be held on July 17th, succeeds in finding any formula for regulating trade in textiles, it will be by this method, and the system is likely to be long-lived.

HONGKONG'S TRADE IN 1960

	With	
	United Kingdom	United States
Exports:—		
Yarn (mn. lb.)	3.7	...
Piece goods (mn. sq. yds.)	125.2	86.2
Clothing (£ mn.)	13.1	23.5
All exports (£ mn.)	36.6	46.6
All imports (£ mn.)	41.5	45.0
All exports (per cent)	20	26
All imports (per cent)	11	12

RESTRICTION ON COTTON EXPORTS

	Lancs- Hongkong Pact*	UK Govt.'s proposals†
To Britain	164 (max.)	185 (max.)†
Total (mn. sq. yds.)		
Of which:—		
Piece goods	118 (max.)	100 (min.)
Garments	46 (min.)	65 (min.)
Yarn	No limit	Restrictions if UK imports increase

To United States:—
US Government's proposals: Reduction of 30 per cent from 1960 level.

* For year to Jan 31, 1962. † For 11 months to December 31, 1962. (Annual rate) ‡ Excluding supplementary quotas.

of Union Carbide, suggest that the world might use 850,000 tons of low-density polythene this year, though there is now capacity to make 1,200,000 tons—which will soon reach 1,550,000 tons. Mr V. N. Luke, of Shell Chemical, was able to give a slightly less alarming picture of the situation for polystyrene; world capacity will be 850,000 tons next year, and may be matched by sales by 1963.

The result of this massive over-capacity, which seems to be worse in the United States and Italy than it is in Britain, is that prices of these plastics have fallen to levels at which profits are slight, and are especially unsatisfactory for manufacturers who spend much on product development. And some companies are selling polystyrene in export

BUSINESS NOTES

markets for 15 cents a pound, 20 per cent below the already depressed American domestic price. But the authors believe that the low price level gives a great potential for increased sales at the expense of natural materials. Some of this increase in sales, however, would come from the development of new varieties of the basic materials, such as the mixture of polystyrene, acrylonitrile and butadiene now being sold in the United States, and mixtures of low-density and high-density polythene. To develop these and markets for them would require capital expenditure; and the returns on it would probably be slight. The plastics industry is indeed caught in a vicious and unprofitable circle.

CARS FOR CANADA

Bladen's Formula

AN ingenious plan to maintain protection for the Canadian vehicle manufacturing industry while, within limits, remaining expansionist in outlook and offering lower prices to motorists has been presented to the Ottawa government by Professor V. W. Bladen of Toronto University, who was appointed last year as a one man Royal Commission. His key proposal—one of a package of seven—is a new and rather clever variant of the formula providing exemption from duty if a certain percentage of the "content" of vehicles sold on the Canadian market by an overseas company is made within Canada. Professor Bladen proposes that exemption for everything right up to complete vehicles be granted if the importing manufacturer, through a subsidiary or an associated company, uses in Canada or anywhere else vehicle components and parts made in Canada above a certain percentage value of his total Canadian sales. Thus an overseas vehicle maker might be able to ship in complete cars duty free if, say, he uses Canadian clutches for all the cars he makes, provided the total value of these clutches is more than a certain percentage of the total value of his sales on the Canadian market.

The motive behind this contrivance is to strengthen the Canadian vehicle parts industry by offering an incentive for achieving longer runs and greater economies of scale. The more orthodox present arrangements for the protection of domestic manufacturers of parts bear heavily upon the smaller Canadian vehicle manufacturing plants. The Studebaker-Packard plant in Canada, Professor Bladen calculates, incurs duty on imported parts averaging about \$85 for every vehicle it makes, while the General Motors plants, with a much larger share of the market and thus in a better position to make or buy parts in Canada, pays in duty only about \$20 a vehicle. Under the Bladen scheme Studebaker-Packard could reduce its liability to Canadian import duty by

putting Canadian-produced parts in the vehicles it sells in the United States as well as in those it markets in Canada.

A Blow for the British

AMERICAN vehicle makers would stand to gain more than British companies from this tariff innovation, though American subsidiaries in Britain—Ford at Dagenham and Vauxhall—could be counted part of their respective parent group's operations in Canada if their Detroit managements so decided (overseas manufacturing groups would have this option, Professor Bladen suggests). The total expenditure of GM or Ford on Canadian parts would then be set against the group's total sales in Canada, and the British-made part of its sales could enter duty-free if the ratio of Canadian content was high enough. Two years ago General Motors considered—but decided against—assembling Vauxhall cars in Canada; by a long way Vauxhall is the leading British seller there. General Motors may well have to think again if the government in Ottawa shows signs of accepting Professor Bladen's recommendations, but it would now have to consider something rather more than a mere assembly operation of imported bits and pieces.

But the more serious threat to British exports lies in the Royal Commission's other major proposals. Professor Bladen recommends imposing a ten per cent duty on British vehicles and parts, which at present go in duty free while other imports pay 17½ per cent. He also suggests abolishing the excise tax on all cars and changing the basis of valuation for Canadian sales tax on imported cars from the price a foreign manufacturer charges retailers in his home market, less a notional discount, to the actual sale price less discount in the Canadian market. Paying sales tax on the value of a car at the factory gate when the cost of shipping it 3,000 miles has still to

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be paid to deliver it in Canada, has been a considerable competitive help to European exports. No other country places its own domestic manufacturers at such a disadvantage in meeting import competition.

Since the Canadian vehicle tariff was last reviewed in 1936, the Dominion has passed from being a major net exporter of vehicles to being a net importer. A third of all the vehicles bought in Canada in 1959 were made outside the country. European car manufacturers are now heavy exporters and they are in course of adding substantially to their manufacturing facilities. The Bladen Commission's object was to propose ways, between the extremes of high protection and free trade, by which Canadian manufacture could be strengthened to withstand this prospective intensification of foreign competition. From that point of view the Commission has produced a logical report. But its proposals will hit British sales badly, more heavily than those of perhaps any other exporting country.

BANK MECHANISATION

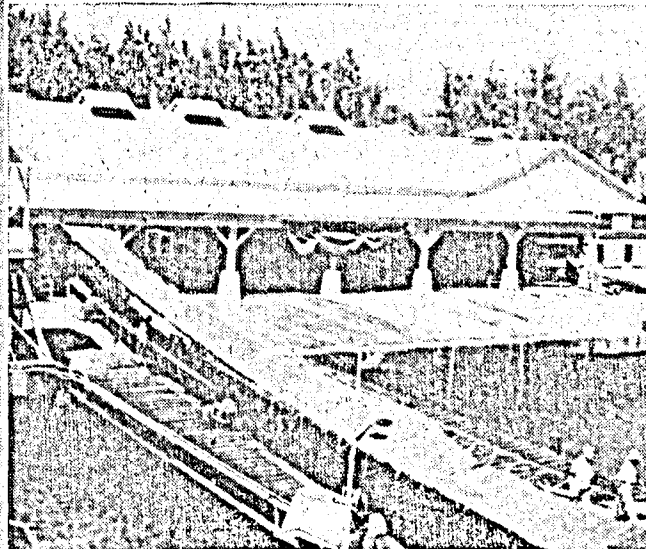
Barclays' Computer

BARCLAYS is the first bank to install a computer in this country and possibly the first in the world to use one for customers' accounts. It is the first major technical advance in bank mechanisation since the accounting machine and may save the banks drowning under a rising flood of cheques. This one computer and its staff of 17 is expected to handle 40,000 accounts from 12 of Barclays' biggest London branches now looked after by about 150 people. With experience it should be possible to post a far greater number of accounts on one installation.

The computer used by Barclays, with transistors instead of valves, costs £150,000 and its ancillary equipment another £100,000. This consists mainly of machines at the branches, linked by cable to the computing centre, which transfer details of the day's business into the computer; this works through details of all the accounts, debiting and crediting them and keeping a watchful electronic eye on overdrafts. Details of any balance that has changed are sent back direct by the computer to the branch and typed automatically on normal bank stationery; once a week the computer prints out details of all the accounts whether their balances have changed or not. This work should take the computer 3½ hours, and Barclays now have to think of ways of occupying it for the rest of the day.

If the experiment succeeds, Barclays might have work for six similar computers in London and for perhaps 50 over its whole network of 2,000 branches (some of which will be too small and remote to justify the expensive teleprinter links). This indicates the heavy investment facing the banks if they change to electronic book-keeping and

How Mitsui Builds World Trade



Since 1957, more than 12,000 tons of frozen tuna meat were shipped to the U.S. and France from these New Hebrides fishing facilities—the result of a joint venture between Mitsui and local industry.

JOINT ENTERPRISE—This New Hebrides fishing base is another example of how Mitsui joins with local industry to promote economic growth. As Japan's largest trading company, Mitsui knows that joint ventures can save local outlay of foreign exchange and speed industrial development throughout the world.

DIVERSITY OF PRODUCTS—All of Japan's quality products are available through this big trading company. It maintains close contact with hundreds of leading firms to give you quotations based on an intimate knowledge of the current market. In addition, Mitsui is a member of the Mitsui Group, and can call on the experience of 50 "Group" firms in virtually every field to expedite your imports.

GLOBAL TRADING NETWORK—Mitsui's 40 offices in Japan and 73 offices and affiliated companies in trading centers around the world can answer all your questions. Perhaps Mitsui can lower your cost of doing business with Japan.

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Does Lord Lud still use the Club, Fortescue?

Indeed, Sir Henry. He is, at this moment, recumbent in his usual armchair—asleep.

I am glad to note, then, that he has conquered his infernal habit of snoring...

On the contrary, Sir Henry. It is *we* who have conquered his snoring! Cast your mind back to the last Committee Meeting... when I was largely instrumental in getting it agreed that Cullum instal their Acoustic Tiles in here...

Ah yes... Cullum, the tile people. I had already formed the impression this ceiling looked unusually appealing to the eye. And Gad... you mean Lud is snoring now?

Precisely, Sir Henry! But Cullum Acoustic Tiles *control* the sound. Cut down *unwanted* noise. Ensure that air of 'padded' peace and unruffled calm.

Steward! Two more doubles please... we must drink a toast to Cullum at once!



MASTERS OF SOUND

BRITAIN'S MOST EXPERIENCED ACOUSTIC ENGINEERS
 SUPPLIERS OF ALL LEADING ACOUSTIC TILES

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 DHB 6571



WOULD IT BE BETTER IN PLASTIC?

Plastic pennies? Light and strong, gay colours perhaps? No more holes in trouser pockets. But to a true-blue Englishman—anathema!

Still, Englishmen of all colours are swallowing new ideas about plastics which are almost as revolutionary as plastic coinage, though often more subtle.

Ask us at BIP—we're the people who know. There's the statue in St. David's Cathedral carved in laminated wood (laminated with a BIP adhesive); the "Glass Slipper," one of the world's biggest plastics sailing-boats (glass fibre moulded with BIP resins); and hundreds of everyday objects (made with BIP plastics) which you accept without thinking that they are made with plastic, just because they are efficient and pleasing to hand and eye—creaseless cottons, for example, or your steering-wheel.

What about your product? Again, ask us at BIP. British Industrial Plastics runs an Advisory Service which will take your product and tell you if and how plastics can improve it. We have been in the industry from the start and are plastics men to the marrow (we process the raw material, we build the press and tool plant, we make our own moulded products), so we know what plastics can and cannot do: our Product Design Service will work with you or for you at the drop of a hat. Up to you now to drop it...

GO ON—ASK US! WOULD IT BE BETTER WITH PLASTICS?

BRITISH INDUSTRIAL PLASTICS LIMITED
OLDBURY, BIRMINGHAM
A Member of the Turner and Newall Group



the potential size of the market for banking computers. Nearly every big bank now has a computer of sorts on order. The next advance must be a proved means of automatic cheque sorting. The first generation of cheque sorting machines being tried out by the more mechanically minded banks like Lloyds and Barclays are said not to be a complete success, but much improved

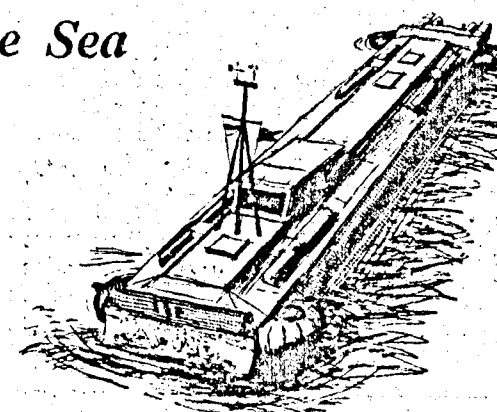
versions are now coming into use in the United States. The end of the operation is to make the whole cycle of cheque sorting and account posting completely automatic with machines sorting, reading, transmitting and printing from magnetic characters and printed codes. Then the traditional bank clerk will have gone the way of Mr Kipps.

HOVERCRAFT

Sledging Over The Sea

THE new sidewall type of hovercraft that has been built by William Denny and Brothers looks like a giant sledge; the air cushion that supports the machine, as with any other hovercraft, is kept in at each side by walls that extend down into the sea, and by air curtains only at the ends. This variant on the usual hovercraft principle has the advantage that it needs much less power to support it, for the losses through the solid wall are nil whereas much power is needed to maintain an air curtain. The Denny craft, weighing 4½ tons and 60 feet long, has only two 30 hp engines to provide the air for its cushion. The power needed to propel the craft is slightly greater than on an ordinary hovercraft; the sidewalls set up some drag in the water, and the economic speed is a good deal lower—40 mph compared with 80-100 mph. But the Denny prototype does 17 knots with two 35 hp outboard motors, so the power needed is still far less than that for an ordinary boat.

The sidewall craft is likely to find most uses as a straight substitute for boats operating on rivers or other sheltered



waters; the sidewalls prevent it operating in rough water, for if they rise out of the water the air cushion deflates. But it should not cost more than building a boat, and may well be cheaper than fast launches because it needs engines of so much less power. Running costs will therefore be lower, too. The prototype cost less than £10,000 to develop and build. There seems to be no sharp upper limit on the size of craft that can be built on this principle; Denny will probably make one of 200 tons next, but their limitation to

BUSINESS NOTES

calm waters will restrict their size. Denny is prepared to sell craft the size of its prototype as passenger ferries, and will start taking orders in the spring. It reports many inquiries already; this simple variant may well be the first hovercraft to enter commercial service.

NICKEL

Price of Stability

ACCORDING to Dr Thompson's history of the International Nickel Company of Canada,* it was in February, 1956, that one of his exploration team telephoned from Manitoba: "It looks like we've hit the jackpot." In that year, the United States asked nickel producers to meet "a revised expansion goal, aimed at providing a US annual supply of 440 million lb. of the metal by 1961." In December, 1956, International Nickel announced a \$175 million programme for developing the Manitoba deposits. At that time, the company also raised the price of nickel to the equivalent of £600 a ton in Britain and the price remained unaltered until last week. This year, International Nickel's new mine came into production with an annual capacity of 75 million lb. Meanwhile, consumption in the United States is probably running at a level lower than 250 million lb a year and nickel bought for the United States stockpile is actually being released. Fears that the new Thompson mine would cause a sur-

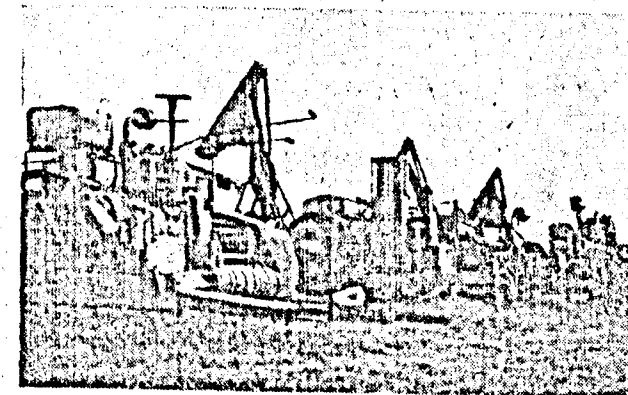
* FOR THE YEARS TO COME. By John F. Thompson and N. Beasley. Putnam, New York; Methuen, London. 35s.

AGRICULTURAL MACHINERY

Chugging Along

THE agricultural machinery industry is hardly bubbling over with activity. Even at the Royal Show business has been decidedly quiet. Production of tractors, which was the one part of this industry to show any significant increase last year, has so far this year been somewhat lower. The home market for tractors and large farm machinery is now mostly for replacement. The effort now put into persuading farmers that they need better machines than those they already possess is evident from the number of new machines, such as combine harvesters, that have been brought on the market in the past twelve months.

Tractors form the largest part of the



farm machinery industry. Output rose 12 per cent last year, for although home sales fell, exports rose by 20 per cent. So far this year home sales have been about seven per cent higher than in 1960, but exports have fallen. Bad weather last autumn, which made farmers postpone much of their ploughing until this spring, seems to have put them off buying tractors. Some tractor firms therefore doubt whether this year's improvement in home sales will be maintained, though better sales and lower stocks of second-hand machines give the tractor market a

healthier look than last year. Fordson reports that its total sales for the first five months of the year were nearly 6 per cent higher than a year ago, with 10 per cent more sold at home and 4 per cent more exported. Massey-Ferguson states that it produced a record number of 7,389 tractors in March, but it does not reveal the average rate. It would seem that Fordson has retained its lead in tractor output.

The implement makers had a bad year in 1960; production of almost all types fell. Output of combine harvesters was 25 per cent lower than in 1959; sales are a little better this year, though makers are still having to readjust themselves to what has become a replacement market. The number in use fell by nearly ten per cent last year to 48,000 (though their capacity rose) and this is more than twice as many as were in use in 1954. Farmers are switching from tractor-drawn or small self-propelled models to the larger self-propelled types. Exports have risen a little so far this year. The industry's hopes for growth must now largely lie in overseas markets. The highly-mechanised British farms now offer machinery makers a replacement market only.

plus of nickel, despite the extraordinary growth in consumption outside America, are being borne out. International Nickel does not expect to sell more of its own nickel this year than in 1960. It will therefore have the equivalent of all of its potential production at Thompson unsold at the end of the year.

But last week the price of nickel went up by 10 per cent (to £660 a ton in Britain). Some consumers were annoyed; though many took the opportunity of easier supplies last year to lay in stocks, quite possibly some will now be paying a higher price than they bargained for when taking orders for nickel products. Though they readily accepted the prolonged period of stable prices, when inflated premiums could often be obtained for some metal, they had apparently not fully grasped the logic of the private price stabilisation scheme operated by International Nickel, under which the initiative in price changes and level of output has passed from consumers to the producer.

International Nickel supplies about three-fifths of the West's nickel and therefore cannot avoid some responsibility for its price. Mining costs have risen since 1956 (as they have for other metals whose market prices are now far lower than in that boom year). International Nickel's profit margins have thinned and the capital cost of the Thompson project has probably risen in line with the increase in other costs. Although the new mine and plant is technically superior to older workings, costs may be a little high while the mine is being run in. There will also be the cost of larger stocks of nickel, which as the company's chairman, Mr. Henry S. Wingate, points out, gives consumers the assurance that nickel will always be there when wanted. International Nickel therefore raised its price and other nickel producers have followed suit. If history is repeated, the present surplus of nickel will not persist.

DRINK



Dearer Spirits

AN extra 1s. 6d. for a bottle of whisky or gin is not a large increase in price—about 4 per cent—but it may make drinkers pause. So far some other companies have

BUSINESS NOTES

followed Distillers' lead in raising the prices of spirits and all are likely to do so soon in order to keep their distributors happy. Distillers are pocketing only 3d. of the extra 1s. 6d., making its share of the 39s. now paid for a bottle of whisky 5s. 9½d. Retailers are to get 6d. more, raising their share to 5s. 7½d., and wholesalers 9d. more, giving them 3s. on a bottle. Increased labour and transport costs since margins were last raised in 1957 are the chief reasons for this increase. But margins on wine and beer have been higher than on spirits since the last cut in wine duty. One of the puzzling practices of the drink trade is to give distributors the same absolute margin when duty—and thus the retail price—is reduced. As a percentage of the retail price, the margin becomes correspondingly greater. Distillers has presumably decided to head off the risk that their distributors might put less effort into promoting sales of spirits by giving them a better return. The price increase has come when sales

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of spirits have been rising faster than for some time past; 7½ million proof gallons of whisky were sold in Britain in the year to last March, 15 per cent more than in the previous year and, for the first time, more than before the war. Much of this increase seems to have been concentrated into the second half of this twelve month period; exports also increased sharply with the new year, being 17 per cent higher for the first five months of 1961 than for the same period of 1960. Gin sales have risen too, though comparable figures are not available. Distillers has not taken a very big risk of losing sales as a result of the price increase. But it takes another view again of the threat of a 10 per cent rise in excise duty. This would put the price of whisky 1s. 6d. over the £2 mark, at which it feels buyers might begin to abstain. Predictably perhaps, there are suggestions of a possible net loss in excise revenue if the Chancellor uses his new "regulator" here.

SHORTER NOTES

The British Motor Corporation has announced that, "after the most careful consideration of the preliminary studies which have been carried out, and in view of the expansion projects of the corporation already in hand," the directors have decided not to buy an interest in the German Borgward group.

The London barley futures market has been closed until it is known what steps will be taken to regulate imports of cheap barley. The Government agreed this week that a case had been made out for measures to prevent dumping. A further announcement was promised.

cent but the proposed one-for-one scrip issue suggests that shareholders can expect a bigger payment for the current year.

Sales of diamonds through De Beers Central Selling Organisation in the second quarter of 1961 amounted to £21.7 million, £2.6 million less than in the first quarter. Nevertheless total sales for the first six months of this year at £46 million compare with £43.7 million for the same period in 1960.

Whitbread is to split its £1 "A" units into 5s. units. This was announced at the annual meeting by Colonel W. H. Whitbread who said that lager sales through the company's own public houses had fallen by 7 per cent in the first half of this year. Lager however accounted for only 3 per cent of its total beer trade.

COMPANY AFFAIRS

Comments on pages 194, 195, 196 and 197 on:

Albert E. Reed	Beecham Group
Hawker Siddeley	Aspro-Nicholas
House of Fraser	De La Rue
Fine Spinners	British Plaster Board
Renold Chains	Rediffusion
Land Securities	Volkswagen
Banking Interims	Trust Houses
Associated Portland Cement	

LONDON AND NEW YORK

Stock prices, yields and security indices on pages 198 and 199

LONDON STOCK EXCHANGE

The week's movements reported on page 197

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 200

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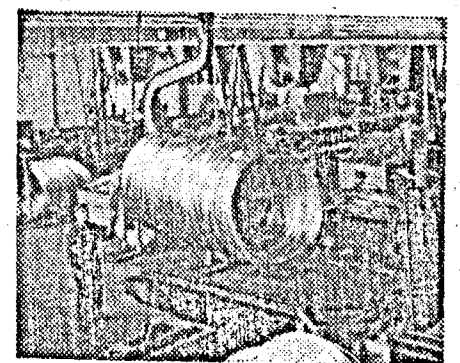


A girl in a million

This Swedish blonde is framed by a million contact springs. Although we have only managed to get about 5000 into the picture, there are actually a million of these springs in the crossbar switches and relays which go to make up a medium-sized automatic telephone exchange. The smooth running of the entire exchange is dependent on the operation of each and every spring. Serious breakdowns in telephone traffic would result if just one spring failed its task. That is why reliability and long life have acquired such urgent importance for the L. M. Ericsson Telephone Company. But first-rate products require first-rate raw materials. Among the materials we supply is nickel-silver plate for contact springs. These springs must never tire and, in fact, they never do — a great number of them have to perform as many as 300 million contact operations during the service life of an exchange. If you place equally heavy demands on your products, perhaps we can help you, too.

SVENSKA METALLVERKEN

EXPORT DIVISION • VÄSTERÅS • SWEDEN



Svenska Metallverken for "Semis"

Close collaboration with an extremely particular clientele has given Svenska Metallverken a leading place among companies specializing in non-ferrous metal materials for springs of the highest quality. Metallverken meets the demands of its clients by putting the results of its research work to careful use in the manufacture of the top-grade material in the springs and in turning this material into strips — straight, tensionless and whose thickness is regulated to minute tolerances.

COMPANY MEETINGS



L M ERICSSON TELEPHONE COMPANY

A SATISFACTORY BUSINESS YEAR

BACKLOG OF ORDERS REACHED \$232 MILLION AT THE BEGINNING OF 1961

The eighty-fifth annual general meeting of L M Ericsson Telephone Company (Telefon-aktiebolaget L M Ericsson), Stockholm, Sweden, was held on June 5th in Stockholm.

The following is an extract from the circulated annual report of the Board and the Managing Director:

REVIEW OF THE YEAR

For the Ericsson Group, 1960 was a successful year marked by expanding activity and an increasing share of business in the telephone markets of the free world. Orders booked by the Parent Company increased by 53 per cent, from \$71.0 million in 1959 to \$108.8 million and, for the Group as a whole, by 33 per cent, from \$188.6 million, to \$250.5 million.* Even excluding Power Equipment Company, the new American subsidiary which became a member of the Group during the year, the volume of orders booked was the largest ever recorded. In terms of product classifications, this volume was distributed in approximately the same ratios as in previous years. Nearly 50 per cent comprised station equipment and telephone instruments; 10 per cent was in other types of telecommunications equipment; approximately 20 per cent was in cable, wire and related accessories and slightly more than 20 per cent in other products. A notable development was the substantial increase in sales of various electro-mechanical and electronic components which were used on a much broader basis.

Sales by the Group were also substantially higher than during the preceding year, increasing from \$165.3 million to \$196.8 million and exceeded one billion Sw. kronor for the first time.

Orders received exceeded billings. The Group's backlog of orders, which amounted to slightly more than \$174 million at the beginning of the year, increased to almost \$232 million the year-end.

SWEDEN

For the Group as a whole, sales to the Swedish market totalled \$71.2 million, compared with \$68.1 million in 1959.

More than half of the Group's manufacturing operations are in Sweden. Thus production costs in this country are of special concern. During 1960 wages of both factory and office employees were increased substantially. These increases were offset to some degree by a reduction from 50 to 40 per cent in the rate of the national income tax on corporations.

Steps have been taken to effect an immediate increase in the production capacity of the Swedish factories but a scarcity of engineers and skilled labour has been felt.

* Swedish kronor have been translated to US dollars at the official parity at December 31, 1960, of Swedish kr.5.17 to US \$1.00.

Orders from the Swedish Telephone Administration for station equipment were somewhat lower in 1960 than in preceding years. Offsetting this, orders for transmission material were substantial and included, among other items, amplification equipment for transmission of television signals by cable and also transistorized voice frequency repeaters. Orders for telephone instruments were higher than ever before and involved, among other items, 85,000 one-piece Ericofons and Ericovox loudspeaker telephones. Orders for private exchanges were substantial. These included a number of crossbar exchanges of a new type developed by the Parent Company to meet requirements of the Telephone Administration.

Deliveries to the Administration during the past year comprised equipment for automatic central exchanges, transmission materials, private exchanges and telephone instruments. Special note should be made of the opening of the international trunk line exchange in Stockholm last May.

Svenska Elektronrör, the Group's tube manufacturing subsidiary, recorded increased sales of high quality tubes and continuing substantial exports of long-life tubes to the United States and Canada.

Sales by Rifa, which produces electronic components, rose approximately 40 per cent and the increase in orders booked was even higher. It is expected that the transfer of production of capacitors from Stockholm to the new Gränna factory will be completed shortly. Concentration on quantity production of high quality standard capacitors has improved the profitability of these items.

EUROPE (EXCLUDING SWEDEN)

Exclusive of Sweden, sales in European countries increased to \$58.4 million in 1960 compared with \$47.4 million the preceding year.

In Italy, the Group's largest individual market in Europe outside Sweden, sales of Ericsson's crossbar exchanges for use in city, rural and transit exchanges were substantial. Construction of a new telephone factory in Rome is now well under way.

The outlook of Group operations in France has improved. At the request of the French Telephone Authority, the French version of the crossbar system will also be manufactured by two French telephone factories outside the Ericsson Group, on license from Société des Téléphones Ericsson.

Denmark continues to be one of the Group's largest markets for city exchanges based on the crossbar system. During 1960 exchanges of this type serving more than 26,000 subscriber lines were placed in operation, along with a number of automatic intercity crossbar exchanges comprising a total of 3,000 lines. During the year an agreement was reached with the Copenhagen

Telephone Company covering the delivery of crossbar central exchange equipment for 100,000 lines.

Automation of the telephone system in Yugoslavia, utilizing crossbar central exchanges, is progressing rapidly. It has been decided to expand this program to include intercity exchanges. The Parent Company will deliver to the Yugoslav authorities equipment that will triple the size of the present telex (teletype) network in that country.

Large orders for transmission materials were received during the year from Italy, Norway and Poland, among other European countries.

ASIA, AFRICA, AUSTRALIA

The Ericsson Group's successful operations in recent years in the most important markets in Asia, Africa and Australia resulted in a large increase in the volume of orders booked during 1960. Although sales have not yet reached the same levels, they rose to \$11.6 million last year compared with \$6.2 million in 1959.

Cooperation with the Australian Post Office and with Australian companies licensed by Ericsson is proceeding according to plan. Substantial new orders have been received.

Through its Australian subsidiary the Group acquired a majority interest in Trimax Transformers Pty. Ltd. (Melbourne) whose name has been changed to L M Ericsson-Trimax Pty. Ltd.

In the United Arab Republic, technical cooperation with the state-owned telephone manufacturing company, licensed by Ericsson, continued as programmed. In order to speed up expansion of the national telephone system, the U.A.R. Telephone Administration concluded a new agreement with the Parent Company covering equipment for more than 100,000 crossbar lines.

The first Ericsson crossbar exchange in Tunisia was cut over during the year and new orders have been booked from that country.

Operations in Burma and Lebanon are proceeding satisfactorily.

An order was received from Thailand for the delivery of a crossbar central exchange to serve 10,000 subscribers in the capital city of Bangkok. The contract was obtained in hard competition and represents a gratifying acceptance of the Group in a new and interesting market. The Parent Company has established a branch office in Thailand.

Among the new markets opened by the Group last year, Iraq and the Eastern section of New Guinea under Australian administration deserve special mention.

LATIN AMERICA

Most of the nations in this part of the world are beset by more or less serious economic

problems—unfavourable balances of trade, inflation and a lack of foreign exchange—which affect business prospects there. Net sales billed by the Group in Latin America decreased from \$23.0 million in 1959 to \$22.1 million last year. When the economic difficulties in the area are overcome, a great pent-up demand for telephone equipment will certainly be exposed.

Following negotiations with authorities in Argentina, certain problems relating to the Group's operating companies in that country have been resolved and new service tariffs established, permitting a more efficient service operation. The operating companies involved have

ordered equipment from the Parent Company for expansion of the telephone system. The orders include a crossbar exchange for 8,000 subscriber lines in the city of Salta and a 10,000-line exchange for the city of Mendoza.

The Group's activities in the Brazilian market have been favourable but the results have been affected adversely by the strong inflation of the economy. The Parent Company has received an order to deliver crossbar equipment for an additional 15,000 lines in Brasilia. The carrier frequency equipment for the radio link between Rio de Janeiro and Brasilia, ordered at the close of 1959, went into service in April,

1960, prior to the dedication of the new capital city. Additional orders for the same type of equipment have also been booked.

In Mexico the Group installed 16,500 lines of its 500-line selector system and also received orders for crossbar exchanges to handle 6,000 lines and transit exchange for 2,400 lines. Other orders received involved a carrier frequency system for a total of 120 telephone circuits and transistorized carrier frequency terminals for the radio link system for a total of 240 telephone circuits.

In Ecuador, where telephone service in both Guayaquil and the capital city of Quito is being

THE ERICSSON GROUP

CONSOLIDATED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY		ASSETS	
	December 31		December 31
	1960		1959
CURRENT LIABILITIES		CURRENT ASSETS	
Bank loans	\$ 5,810,000	Cash (Note B)	\$ 58,093,000
Accounts payable—trade	13,717,000	Swedish Government Bonds of 1960	3,869,000
Advances from customers	27,160,000	Notes and accounts receivable—trade (Note C)	54,752,000
Accrued income and other taxes	10,975,000	Inventories (Note D)	80,591,000
Accounts payable to non-consolidated subsidiary companies	694,000	Other current assets	5,733,000
Other current liabilities	20,176,000		203,038,000
	78,532,000		187,729,000
DEFERRED REVENUE	2,440,000	CASH ON TIME DEPOSIT NOT AVAILABLE UNTIL AFTER DECEMBER 31, 1961	4,630,000
			3,939,000
LONG-TERM DEBT		LONG-TERM RECEIVABLES (Note E)	
Mortgage bonds	3,910,000	Notes and accounts receivable—trade	13,699,000
Debentures	18,057,000	Other	13,576,000
Other long-term liabilities	8,304,000		27,275,000
	30,271,000		34,993,000
NON-CURRENT LIABILITIES TO PENSION FOUNDATIONS	17,564,000	INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES	
	21,466,000	Unconsolidated subsidiary companies	
SPECIAL RESERVES		Investments	4,124,000
Special reserves for accounts receivable (Note F)	16,462,000	Advances	1,139,000
Special inventory reserves (Note G)	29,100,000	Associated companies	
Reserves for future investments (Note H) ..	6,633,000	Investments	741,000
	52,195,000	Accounts receivable	940,000
			6,944,000
MINORITY INTEREST	9,539,000		6,979,000
	8,335,000	PROPERTY, PLANT AND EQUIPMENT	
STOCKHOLDERS' EQUITY		Cost	81,976,000
Capital stock (Note I)	42,069,000	Revaluation	9,671,000
Reserves not available for distribution ..	23,741,000		91,647,000
Unappropriated earnings	33,250,000	Less—Accumulated depreciation	43,933,000
	99,060,000		47,714,000
			32,570,000
		Assets pledged to secure indebtedness	
		1960	1959
		\$38,303,000	\$35,218,000
		Total assets	\$289,601,000
			\$266,210,000

The notes A to H are an integral part of the Consolidated Balance Sheet. The United States dollar amounts shown in the above statement represent translations from Swedish kronor at the official parity at December 31, 1960, of S. Kr. 5.17 to \$1.00.

CONSOLIDATED INCOME STATEMENT

	1960	1959		1960	1959
Net sales	\$196,840,000	\$165,340,000	Special adjustments (Note A)		
Dividends, interest and other revenue			Transfers to or (from) reserves for accounts receivable (net)	(1,303,000)	(322,000)
From unconsolidated subsidiary companies ..	168,000	179,000	Transfers to or (from) special inventory reserves	(1,415,000)	(3,098,000)
From associated companies	407,000	299,000	Transfers to reserves for future investments ..	4,814,000	1,064,000
From others	5,055,000	4,146,000	Extraordinary contributions to pension foundations	—	5,428,000
	202,470,000	169,964,000	Write-downs of investments	31,000	33,000
Cost of products and services sold	129,970,000	105,138,000		2,127,000	3,105,000
Selling, experimental, development and administrative expenses	43,079,000	38,503,000	Income before taxes ..	18,194,000	15,652,000
Depreciation	5,268,000	4,376,000	Taxes on income	9,579,000	8,598,000
Interest	2,681,000	2,016,000		8,615,000	7,054,000
Unrealized loss on foreign exchange	1,151,000	1,174,000	Minority interest	947,000	1,128,000
			Income before items at right ..	20,321,000	18,757,000
			Net income ..	\$7,668,000	\$5,926,000

automated with an Ericsson system, the Group's branch office has been made a capital stock company.

UNITED STATES AND CANADA

Group sales in the USA and Canada totalled \$33.5 million in 1960, compared with \$20.5 million in 1959. The increase is due almost entirely to the acquisition last May by North Electric Company (NEC) of 96 per cent of the outstanding shares of Power Equipment Company (PEC).

Located in Galion, Ohio, where NEC also has its main plant, PEC manufactures transformers and power supply equipment for computers and telephone exchanges as well as equipment for the electronics industry. Its sales during 1960 totalled \$12.5 million.

To adapt the Ericsson crossbar system to American requirements, NEC has developed two distinct systems. One, intended for use in city exchanges, has been installed in 19 communities to date. These installations cover 47,700 lines offering service to 114,000 subscribers.

The Group's Canadian sales company received from Bell Telephone Company of Canada an initial order for five rural exchanges with Ericsson crossbar equipment—which represents a significant breakthrough in this market.

RESEARCH AND DEVELOPMENT

The current growth and progress of the Ericsson Group, as in the past, is due largely to the high technical standards that distinguish Group products, research and development work is therefore pursued intensively. The Group's laboratories are expanded continuously and fitted with the most modern equipment. Activity in this field involves basic research as well as technical applications and materials testing.

During 1960 substantial technical resources of both the Parent Company and North Electric Company were concentrated on electronic telephone systems, with special reference to the electronic exchanges ordered from NEC by the United States Air Force.

A tone code system adapted for local exchanges was perfected during the year as well as a new type of rural exchange. As a result of the development of the tone code system, the latter exchanges now permit more efficient routing of traffic in network groups and better exploitation of the lines between exchanges.

Electronic registers for 500-line selector exchanges were designed during the year and will soon be placed in operation on a test basis.

To meet increasing demand by customers, the Parent Company has expanded into a new field for the Group. This is "telex," or subscriber telegraphy, a convenient and economic method of transmitting written messages between remote points.

Design work on carrier frequency terminals to carry 2,700 simultaneous telephone conversations over one pair of tubes in a coaxial cable has been completed and turned over to the manufacturing departments.

On behalf of the Swedish Telephone Administration, the Parent Company designed and delivered relay-activated, push-button-operated equipment for radio program distribution. Crossbar selectors are used to make the connections.

Development work continues on a system for high-speed transfer of data to electronic computers which are being used increasingly in both civilian and military applications.

COMPANY MEETING REPORTS

A four-wire-terminated telephone with circuits for tone pulsing and voice frequency ringing has been designed for use with electronic exchanges.

Development of so-called reed switches designed for relays has been completed. Svenska Elektronrör has begun production of these units, initially only for the Parent Company.

In other fields and on an increasing scale, the Group's research facilities have been placed at the disposal of the military authorities in Sweden.

PERSONNEL

The large volume of orders booked, which marked operations during 1960, also produced increased personnel requirements in both offices and factories. Despite the high levels of employment created by the upward trend of the economy in Sweden, the Group was able to meet nearly all of its increased personnel requirements.

This was accomplished partly through more efficient scheduling of production in existing and new plants. The number of Group employees in Sweden increased from 14,000 at the beginning of 1960 to 16,400 at year-end. Throughout the Group as a whole, a total of 32,300 was employed at the end of the year.

EXCHANGE LISTINGS

The substantial stock equity which International Telephone and Telegraph Corporation had held in the Parent Company since 1932 was returned to Swedish ownership last Spring. Thereafter a substantial number of the Company's "B" shares were distributed in foreign countries. These shares have been listed on the stock exchanges in London, Paris and Amsterdam.

FINANCIAL STATEMENTS THE ERICSSON GROUP

In May, 1960, the Group's American manufacturing company, North Electric Company, Galion, Ohio, acquired 96 per cent of the outstanding shares of capital stock of Power Equipment Company, also located in Galion. Inclusion of the newly acquired company in the consolidated financial statements makes them not fully comparable with the statements of the previous year.

The holding company, Teleric Inc., formed a sales company in Ecuador, Telefonos Ericsson C.A., Quito, with a capital stock of 1.0 million Sucres, and a real estate company in Mexico, Edificio Ericsson S.A., Mexico City, with a capital stock of 2.5 million Pesos.

Through the sale of additional shares at par the capital stock of FATME, Soc. per Az., Italy, was increased from 4,000 million to 5,000 million Lire, and the capital stock of SIELTE, Soc. per Az., from 1,500 million to 2,000 million Lire. These shares have been subscribed and paid for by the holding company, SETEMER, Soc. per Az., Italy, in which the Parent Company holds slightly more than 51 per cent of the stock.

North Electric Company, U.S.A., issued 252,599 new shares of stock with a par value of \$10.00 per share. Of this stock issue, which was sold at \$25.00 per share, the Parent Company acquired 228,629 shares through conversion of receivables amounting to \$3,715,725. This transaction has increased the Parent Company's interest in North Electric Company from 83 per cent to 86 per cent.

In addition several of the Group Companies increased their capital stocks through payment

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in cash, conversion of accounts payable to the Parent Company or through stock dividends.

Total income for the Group amounted to \$202,470,000, an increase of \$32,506,000 or 19 per cent over 1959. Net sales of \$196,840,000 (\$165,340,000 in 1959) exceeded one billion Sw kronor for the first time. The Argentine and Peruvian telephone operating companies, whose accounts are not included in the consolidated financial statements, had operating revenues totalling \$5,800,000 (\$4,255,000 in 1959).

After special adjustments totalling \$2,127,000 (\$3,105,000 in 1959) and provision for taxes totalling \$9,579,000 (\$8,598,000), the Group had a consolidated net income of \$7,668,000 in 1960 (\$5,926,000). Total consolidated unappropriated earnings at December 31, 1960, amounted to \$33,250,000 (\$31,501,000). The Boards of Directors of the respective companies proposed that a total of \$2,084,000 of this amount be appropriated to reserves not available for distribution.

When considering the consolidated financial position, it should be borne in mind that:

(1) Unappropriated earnings totalling some \$8,500,000 will become subject to Swedish taxes (in 1961 about 48 per cent) if and when such earnings are transferred to the Parent Company, and

(2) In certain countries currency restrictions apply to transfer of dividends.

NOTES TO THE FINANCIAL STATEMENTS

Note A—Special adjustments
Swedish tax regulations permit, within certain limits, deduction from taxable income of amounts set aside to inventory reserves. At the end of 1960, such inventory reserves may, in principle, amount to 60 per cent (70 per cent in 1959) of the lower of cost or market. According to accepted Swedish practice, Swedish companies to a greater or lesser extent avail themselves of this advantage and, consequently, recorded net income is affected by changes in inventory reserves.

Allocations to reserves for future investments, which are tax deductible under certain conditions, are considered as appropriations of earnings and not as operating expenses.

Note B—Cash
Cash includes \$16,615,000 deposited on a blocked bank account as security for advances received from customers and an extraordinary deposit of \$2,300,000 on an investment reserve account with the Bank of Sweden, repayable on December 30, 1961. The Parent Company deposited \$2,089,000 of this amount.

Note C—Notes and accounts receivable—trade
The receivables are shown net of allowances for doubtful accounts amounting to \$1,039,000 (\$740,000 in 1959).

Note D—Inventories
Inventories are generally valued at standard cost, which approximates cost on a first-in, first-out basis, not in excess of market. They are shown net of advance and progress payments from customers amounting to \$19,614,000 (\$11,938,000 in 1959). In respect of the special inventory reserves see Note G.

Note E—Long-term receivables
Notes and accounts receivable—trade—are shown net of allowances for doubtful accounts amounting to \$5,368,000 (\$5,681,000 in 1959). Other long-term receivables include miscellaneous investments in the amount of \$1,246,000 (\$1,215,000 in 1959).

Note F—Special reserves for accounts receivable
The amounts set aside to these reserves have

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been allowed as deductions from taxable income. The amounts recovered are subject to tax at the rate ruling when the amount is received. (The effective rate of income tax for 1961 is approximately 48%.)

Note G—Special inventory reserves

The Group's Swedish and Finnish companies have set aside inventory reserves, and the amounts so set aside are deductible in computing taxable income for the respective years. To the extent that such reserves are restored to income, they will become subject to tax. (The effective rate of income tax for 1961 is approximately 48%.) See also Notes A and D.

Note H—Reserves for future investments

These reserves were created in accordance with a law enacted in 1955 regarding reserves for the purpose of equalizing fluctuations in business conditions. The use of amounts set aside to these reserves, which are deductible from taxable income on certain conditions, is regulated by the Government. Of the amounts provided, a certain portion must be deposited on a blocked account with the Bank of Sweden. In 1960 an amount of \$600,000 from the Reserve for future investments was applied by the Parent Company to write down the cost of a new building in Mölndal.

Note I—Capital stock of the Parent Company			
2,485,677	Class A shares, par value		
	35 Swedish Crowns per share	...	\$16,828,000
3,728,512	Class B shares, par value		
	35 Swedish Crowns per share	...	\$25,241,000
6,214,189			\$42,069,000

BRITISH SUGAR CORPORATION RECORDS AGAIN BROKEN

The Twenty-fifth Annual Ordinary General Meeting of the British Sugar Corporation Limited will be held on July 25 in London.

The following is an extract from the circulated statement by the chairman, Sir Edmund Bacon, Bt, OBE, TD, JP:—

The yield of 7,215,261 tons from the 1960-61 sugar beet crop was a new record for this country. It was over two million tons higher than the average of the previous five years, and almost one-and-a-half million tons above the highest figure previously recorded in 1958-59.

PRODUCTION FIGURES

Production figures for all our products were the highest on record. Sugar production, consisting of 592,775 tons of white and 311,890 tons of raw, was equivalent to a total output in terms of white sugar of 887,525 tons. The production of dried pulp in all forms was 543,253 tons and molasses produced amounted to 321,507 tons.

With such an enormous crop to deal with it is very gratifying to be able to tell you that the capacity of our factories, as the result of many years carefully-planned capital expenditure, reached a record figure of 50,600 tons per day, which is nearly 1,600 tons per day higher than the figure of last year. Nevertheless, it was only on March 1 that the last factory concluded operations.

During the last few years there have been

COMPANY MEETING REPORTS

All shares carry equal rights to participation in the net assets and profits of the Company. Class A shares are entitled to cast one vote and Class B shares are entitled to cast one 1/1,000 of a vote at Stockholders' meetings.

The 1960 annual meeting of Stockholders approved a proposal by the Board of Directors to increase the Parent Company's capital stock from 163.1 to 217.5 million Crowns through a stock dividend of one new share for each three outstanding.

THE PARENT COMPANY

Orders booked by the Parent Company in 1960 were the highest ever recorded, exceeding 1959 orders by 53 per cent.

Net sales also reached a record level, increasing from \$61,713,000 to \$66,809,000.

In spite of higher billings, the backlog of orders increased to \$140,200,000, compared with \$101,500,000 at the end of 1959.

After provision for taxes of \$4,681,000, the Parent Company's net income for 1960 amounted to \$5,832,000 (\$4,466,000).

DISPOSITION OF UNAPPROPRIATED EARNINGS

In addition to the Reserve for contingencies and the General reserve, the sum of \$8,883,000, consisting of net income for the year, \$5,832,000, and unappropriated earnings, \$3,051,000, was available for disposition by stockholders at the annual meeting.

The Board of Directors and the President pro-

notable changes in methods of sugar distribution, both to industry and to the home. Bulk sugar deliveries during the year to industrial users were more than five times as great as they were five years ago and continue to increase substantially. The manufacturer is able to save the labour which is required for the reception, storage, and emptying of sugar from sacks. This results in a worth-while reduction in costs to manufacturers taking sugar in bulk. Delivery in bulk also enables us to reduce labour in sugar handling, storage and transport, as a result of which we are able to make allowances to the user.

LIQUID SUGAR PLANTS

During the year we have installed liquid sugar plants at two factories and further silo capacity for 20,000 tons refined sugar is also being provided. We intend to construct more silos for storing sugar in bulk in the future.

Our distribution to the grocery trade has also changed in pattern. Self-service stores which are opening in Britain at a high rate have created an increasing demand for pre-packed goods. In the past five years demand for our packeted sugar has increased by more than a third and in the year under review accounted for 48 per cent of our total sales. For this reason we have embarked on a scheme to expand and modernise the whole of the Corporation's packing facilities.

We have a free technical service which provides expert advice to customers on the industrial use of sugar and includes guidance on plant installation and layout. Manufacturers contemplating the use of liquid or dry sugar in bulk will find this service of particular value.

posed that the above amount be distributed as follows:

To the Legal Reserve	...	\$ 208,000
To a Special Legal Reserve	...	\$1,180,000
To the Stockholders—Sw. kronor	3.50 per share payable against	
Coupon No. 34	...	\$4,207,000
Unappropriated earnings to be		
retained in the business	...	\$3,288,000
		<u>\$8,883,000</u>

The report, the financial statements, and the proposals put forward by the Board of Directors were adopted.

BOARD OF DIRECTORS

Marcus Wallenberg, *Chairman*; Ernfrid Browaldh, *Vice Chairman*; Erik Boheman, *Vice Chairman*; Erik Anderberg, Wilhelm Söderman; Ragnar Woxén, Sven Ture Åberg, *Managing Director*.

DEPUTY MEMBERS

Nils Sterner, Lars-Erik Thunholm, Marc Wallenberg Jr., Stig Ödmark, were re-elected at the 1961 General Meeting.

AUDITORS

Arvid Olsson, Nils Olsson, Swedish Certified Public Accountant; John Dickinson of Price Waterhouse and Co.

LONDON PAYING AGENTS

Warburg and Co.
Readers can obtain the full Annual Report by application to Swedish Ericsson Company, Limited, 329 High Holborn, London, W.C.1.

IMPORT OF FOREIGN REFINED SUGAR

In my address to you last year I referred to the import of foreign refined sugar which had affected our sales and those of the refiners. During the year under review I regret to tell you that these imports have increased. They are subject only to a small differential duty which has remained unchanged since it was first imposed in 1928 and thus has little effect as a deterrent. Moreover, nearly all foreign refined sugar sold in this country comes from countries which prohibit the import of sugar from the United Kingdom. The Corporation is in touch with the British Sugar Refiners Association and the Government on the problems involved.

At the last Annual General Meeting questions were raised regarding the possibility of obtaining ministerial approval to an increase in dividend above the rate of 7 per cent and of a possible capitalisation of reserves. Subsequently a committee of the Board had discussions with a Shareholders' Committee, then formed, and with the Ministry by whom the Shareholders' Committee had also been received. As a result it has become clear that in present circumstances Ministers would not approve a rate of dividend higher than 7 per cent, or a capitalisation of reserves. The Board recognise that there is an element of anomaly in the status of the ordinary shares, having regard to the special relationship between the Corporation and the Government, and it is the Board's intention to continue to explore the possibilities which, subject to Shareholders' approval might remove this.

GODFREY PHILLIPS, LIMITED

CONTINUED IMPROVEMENT IN RESULTS
DIVERSIFICATION POLICY BEARING FRUIT
IMPORTANT AND VITAL EXPORT BUSINESS

OVERSEAS INTERESTS REVIEWED

MR P. A. GODFREY PHILLIPS EXPRESSES CONFIDENCE IN OUTLOOK

The Fifty-second Annual General Meeting of Godfrey Phillips, Limited, was held on June 30th at the registered office of the company, 112, Commercial Street, London, E.

Mr P. A. Godfrey Phillips, the chairman, presided.

Mr A. H. Grindell, the secretary, read the notice convening the meeting and Mr H. C. Medlam, FCA, read the report of the auditors.

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

The year 1960 showed a continuation of the improvement in results which has been a feature of the accounts during the last five years. There was in fact a greater acceleration in the recovery from the nadir of 1955 than the Board could reasonably have forecast twelve months ago.

The effect of the steps which your Board has taken in recent months in divesting your company of its unprofitable interests is of course not reflected in the Accounts before you, but it is our belief that this reorganisation of our activities should result in a sounder pattern of trade and this should enable us the better to withstand the various set-backs and disappointments, political and non-political, to which our world-wide interests make us vulnerable.

In view of past factors and those foreseeable in the immediate future, your Board feel fully justified in recommending a final dividend which makes the total distribution for the year the highest in the history of the Company.

GROUP ACCOUNTS

If you will turn to the Accounts before you, you will see that the Group Profit for the Year before charging Taxation was substantially increased to the figure of £811,809 compared with £550,303 for 1959. This increase stems from a higher level of Trading Profits together with increased Exceptional Profits due to a reorganisation of part of our Australian interests, which resulted in a profit on the repayment of Preference Shares held by the Parent Company. As might be expected such an increase in Trading Profits was accompanied by higher Depreciation and Interest Charges, the latter accentuated by an increase in the level of Bank Rate during the Year. After providing £392,436 for Taxation and adjusting for Provisions No Longer Required, there results a Profit of £435,927. Deducting £84,673 for the interests of Outside Shareholders in Subsidiary Companies, there remains a Profit attributable to the Members of Godfrey Phillips Limited of £351,254 compared with £227,116 in the previous year.

Arising from the decision to disengage your Company from the home cigarette trade we sold, towards the end of the year, and on a favourable basis, our Scottish and North of England Wholesaling Company, Thomson &

Porteous Limited and the Goodwill of its Associate Company, Fairweather & Sons Ltd., of Dundee, and this transaction gives rise to the appearance in the Profit and Loss Account of the item "Transfer of Development & Contingencies Reserve £50,532." After setting aside £75,000 for Pensions, and making the transfers to General Reserve and deducting Dividends paid, accrued and proposed, there remains to be carried forward to 1961 the sum of £1,766,093—an increase of £110,934.

In the Consolidated Balance Sheet, the most marked change arises in the level of Investment in Current Assets reflecting the increased volume of trade carried on by your Companies during the Year. Fixed Assets have increased by some £424,000 and Trade Investments by £35,000. On the other side there has been no change in the Share Capital but Capital Reserves and Revenue Reserves and Surplus, insofar as they relate to the Stock and Shareholders of Godfrey Phillips Limited, are increased by approximately £24,000 and now stand at the substantial figure of £4,770,000.

PARENT COMPANY'S BALANCE SHEET

In the Balance Sheet of Godfrey Phillips Limited, the increase in the value of Shares in Subsidiary Companies at Cost reflects, in the main, the acquisition during the Year of an additional lithographic business, offset by the repayment of Preference Shares already referred to and by the sale of Thomson & Porteous Ltd.; advances and debits on Current Accounts with Subsidiary Companies, higher by £573,000, again underline the increase in your Group's total trade during the year.

In considering these figures, it will be apparent that in both the Balance Sheet of Godfrey Phillips Limited and that of the Group, the ratio of Current Assets to Current Liabilities shows a reduction on the previous year but your Board are satisfied that the resources available to the Group as working capital are adequate; in fact more has been released this year and still more will become available; part of this will be used to pay off the 7 per cent Cumulative Participating Preference Shares of Cohen Weenen & Co. Ltd., which Company it is intended to liquidate within the next two or three months.

The complexion of this Company has changed during the past year or so, as a result of our general reorganisation; it has a large Cash Balance, surplus to its own requirements, which is on loan to ourselves and is thus available as working Capital but at an uneconomic cost to the Group. In these circumstances your Board do not feel justified in prolonging the existence of this Company, the need for which in the structure of the Group has now disappeared.

The repayment of this Participating Preference Capital out of our improving cash resources will benefit Group results, and the liquidation of the Company will make for internal administrative savings. The Board constantly reviews the

working Capital requirements of the Group and for many years past and through our most difficult periods we have enjoyed the most excellent relations with our Bankers, who continue to afford us their best advice and facilities.

HOME OPERATIONS—CIGARETTES AND TOBACCO

In surveying our trading during 1960, it is perhaps logical to start with our operations in the Home Market, more particularly with our Cigarette and Tobacco manufacture for consumption in the United Kingdom. The Agreement with Ardath (UK) Limited which was announced in September last and which came into effect on February 1st this year, will be fresh in Shareholders' minds and we have recently completed a virtual withdrawal from the Home Trade, by concluding an arrangement with Messrs Gallaher Limited to whom we have sold the Home Trade rights to the brands of Abdulla & Co. Ltd. Your Board are confident in the determination and ability of Gallaher Limited to promote the sales of Abdulla in the United Kingdom and this should indirectly help our very valuable Export Trade in these brands, and consequently be of great benefit to the Group.

There are many and varied measures of reorganisation which arise as a result of these arrangements including adjustments to our manufacturing capacity and to the level of our leaf stocks and packing materials, and a realignment of our plant and equipment requirements; these are proceeding and it is hoped will be completed by the end of the year.

You will, I am sure, share with your Board very great regret at the considerable number of employees who have become surplus to requirements; these were mainly factory staff and work people, many of whom had served the Company and your interests loyally and faithfully for a number of years, and we believe that the pensions and leaving gratuities which have been granted to them are fair and proper. The cost of these pensions and gratuities will give rise to exceptional charges in the current year; this will, however, not be regarded as entirely chargeable against Trading Profits but more properly to be met in part from our considerable fund of reserves.

VALUE OF FREEHOLD PROPERTIES

The release of investment in Current Assets consequent upon our reorganisation is gradual, but should become fully effective by the end of this year. Certain leasehold property has already been given up and, as already announced, some space will be freed in the Commercial Street factories and plans for its use are well advanced. Much of this space will be taken over by our expanding paper-back interests, the warehousing and storage requirements of which are considerable. We are fortunate in the timing of this reorganisation and in the availability of this much needed space.

I should perhaps take this opportunity of clarifying a matter which has through lack of understanding been somewhat mis-represented in certain sections of the Press: namely the value of our freehold properties and the capital profits which it has been wrongly assumed might be made on their sale. First let me make it clear that there will be no factories in operation which are not being put to profitable use and that such space as might be released, entirely as a result of our Home Trade reorganisation, will be relatively limited in both scope and value. It is too easily overlooked that the Group Balance Sheet figures for freehold land and buildings include not only the considerable factories essential for our diversified interests at home but also our very extensive factories in India, Australia and New Zealand all of which are vitally necessary to the maintenance of your Group's profits.

Of the Group figure of one and three-quarter million pounds for freehold land and building, Stepney freeholds represent only £650,000 and the 250,000 square feet approximately of working space that they provide house our manufacture, despatch and distribution for Export, our still not inconsiderable manufacture for home consumption, our bond storage for leaf tobacco, and all administrative and research services for the whole Group. They also have to cater for the increasing requirements of our paper-back trade to which I have referred. I hope that this brief exposition will make for a clearer understanding of the position.

CONTRIBUTORY PENSION SCHEME

The circumstances of our withdrawal from the Home Trade and the consequent reduction in the number of our employees, the new provisions of the National Insurance Act which came into force in April of this year, and the need for an established uniform Scheme to provide Pensions for our employees and those of our growing Subsidiary Companies at home, decided your Board, in the early part of this year, to introduce a Contributory Pension Scheme. In the past, pensions for retired employees have been charged against current profits but from time to time and in years of buoyant profits sums have been set aside to establish a fund to meet the very considerable liability for back service which has accrued. This fund, after setting aside a further £75,000 out of the Profits for the Year under review, now stands in the Group Balance Sheet at over £350,000, and in the Balance Sheet of the Parent Company, where the greater part of the liability lies, at £260,000. These sums, or the greater part thereof, are thus available for the establishment of the Scheme, which adequately takes care of the pension needs of all those sections of the Group not hitherto covered by a funded scheme.

Final details as to how best to finance the Scheme are now being worked out but I am happy to tell you that by the end of the present year full provision will have been made to cover the pension needs of all the Group's employees. Adequate arrangements in this respect have been in operation for some years in our main overseas Subsidiary Companies, and in the Year under review the decision of the Indian government authorities to regard staff gratuities as a legal liability has resulted in the transfer of some £52,000 from Reserves for this purpose.

Your Board is confident that the arrangement it has been able to make to reorganise the whole responsibility for pensioning its employees will receive your approval, not only for its effect on general morale in the Group amongst its workers and staff, but also for its stabilising effect on the

cost of providing for this liability against annual profits in the future.

A VERY REAL INTEREST

Before leaving our Cigarette and Tobacco Trade at Home and the matters arising from the arrangements we have made to disengage ourselves from this Trade, I should remind Shareholders that as a Group we still have a very real interest in the manufacture and sale of our brands by Ardath (UK) Ltd., and by Gallaher Limited, first through the Royalty payments which will be made by the former under our Agreement and second from the benefits which can accrue to our Export Trade from a healthy trade in all these brands in the United Kingdom.

I mentioned that the recent sale of our Abdulla brands amounted to a virtual withdrawal from the Home Trade, the exception being our Boars Head Tobacco, manufactured and marketed by Pritchard & Burton Limited. This self-contained Company has held its own in a fiercely competitive field and is making a most valuable and satisfactory contribution to our profits. Together with Morris & Morris and Melbourne Hart it represents our remaining link with the Retail Tobacco Trade in this country and it is our hope that it may long continue to do so.

EXPORT TRADE

I now turn to our valuable Export Trade, which constitutes the bulk of our proprietary Cigarette manufacture in these factories. This trade is particularly vital to us, not only from its profitability and the fact that exports to a particular market are frequently the forerunner to domestic manufacture of the brand within the market, but also because it enables management and staff to keep abreast of technical developments in the manufacture of our products and to maintain the necessary knowledge and experience to enable us to advise and guide our manufacturing Subsidiaries overseas.

It should be appreciated that the growing consumer demand for tobacco goods in overseas markets is more than being met by protected local manufacture and the total of tobacco and cigarette exports from this country is at present on the decline; furthermore the constant increases in tobacco duty involve extra finance and so adversely affect the cost of manufacture for export, a factor which Chancellors of the Exchequer appear to overlook. Our staff engaged on this side of the business are therefore particularly to be congratulated in not only keeping up but actually expanding our Export sales. I am confident in their ability to maintain this trend.

IMPORTED CIGARS

Our Subsidiaries engaged in the imported cigar trade had yet another year of most successful trading. We are fortunate in possessing the importing rights to brands which have established themselves in the forefront of the wide range available to the cigar smoker. Hoyo de Monterrey, Larranaga, Partagas and Punch are names famous for their consistent quality and the pleasure they afford to the smoker and these brands continue to enjoy as great a demand as ever before.

Unfortunately there must be some concern for the continuity of supplies from Cuba in the future, but we are well served by our supporting Jamaican brands, Jamavana, Larana, and Macanudo which are recognised as among the finest available from Jamaica and are more within the reach of the pocket of many smokers.

I will turn now to our remaining operations at home: our printing and publishing interests. These are a comparatively new side of our Group's business and it would be as well to keep them in their proper perspective and not to give them credit for an undue proportion of the increased profits that we are now enjoying. We occasionally read headlines and comments which refer to the Company as a publishing company; this is wide of the mark for we are still predominantly a Cigarette and Tobacco Manufacturing Group. In terms of investment and profit contribution our more recently acquired printing and publishing Subsidiaries form a relatively minor part of our total business.

In deciding to diversify, your Board pursued a policy of acquiring young businesses, ripe for development and expansion, and did not go into the market for big profit earners at what would have inevitably been a high cost of acquisition. This policy seems to be bearing fruit and we already have a nucleus of growing and developing businesses, the total investment in which barely exceeds a million pounds, and which are now making a most useful contribution to our total profits. It is, however, in their expansion and development that we are mainly interested and all our actions have been directed to nurturing and fostering them so that in due course they become big profit earners in their own right. To this end we have recently taken material steps to strengthen our management, so that not only have we provided the most suitable factories and equipment but also experienced brains.

Our lithographic printing Companies and their associated undertakings are making steady progress and we are gaining in experience of this trade every day. During the year, as I reported at this Meeting a year ago, we acquired a further lithographic Company, H. L. Vickery Limited and this has considerably enhanced the profits of this section of our business. We now have a solid stake in this industry and some degree of flexibility also, and your Board are confident that these investments will prove worthwhile and should in time make a major contribution to our profits.

GREETING CARD INTERESTS

Our Greeting Card interests are similarly placed; in an expanding industry our Subsidiary Company, Forget-Me-Not Cards Limited, is increasing its trade steadily; it has gained in stature and is developing along lines which should ensure that it remains a growing and profitable investment. It should, however, be remembered that our expansion into these fields was designed to take advantage to the full of our existing good relations with trade customers and of our Group organisation and facilities, and the true advantages which stem from these diversifications are often cloaked from view. This is perhaps especially true of our paper back business, which differs from our other recently acquired interests in that we started it ourselves from scratch.

When we launched Four Square Books Limited some three or four years ago, we did so on the basis of our acceptance in the Trade through the considerable Goodwill which we enjoy as a Cigarette and Tobacco manufacturer, and of the wide and powerful knowledge that we have of Export markets and overseas trading generally. Furthermore, we recognised that a useful part of our existing Group selling and distribution forces could be brought to bear towards the establishment of another paper-back

line in a strongly competitive field. This we undoubtedly achieved in a short space of time but without, as has to be expected, any marked degree of profitability.

ACE BOOKS

Towards the turn of the year we had an opportunity of acquiring a further series, Ace Books, together with its experienced management and this marked a step forward towards the earning of profits and the strengthening of our interests generally. Shortly after this acquisition we attracted the attention of the New American Library of World Literature Inc., who entered into negotiations with us aimed at a joint association for the promotion of paper-back books in the United Kingdom, the Commonwealth and the English speaking world. An Agreement has now been concluded, on a favourable basis, whereby we have parted with 51 per cent of our paper-back interests, although we have retained responsibility for the day-to-day operations and business of these Companies.

We shall continue to be closely concerned with the administration and management and our resources for warehousing, despatch and delivery of the product will be used to the full. In short, there is very little outward evidence of any change but we have all the advantage of the knowledge and advice of our American associates in addition to the usual trading benefits which stem from such an arrangement. Your Board firmly believes that this association will have considerable medium and long term benefits for your Company and that jointly we shall make more and quicker progress towards a much larger share of this rapidly expanding market.

FIGHT AGAINST PORNOGRAPHY

Some adverse Press criticism of the so-called American invasion of the paper-back industry has recently been evident. There are undoubtedly grounds for sustained objection to the importation of books of a pornographic variety from less reputable American publishers and we shall unite with all other British publishers to fight this threat. There is no intention on the part of our Associates, or of ourselves, to have anything to do with this type of book, nor is it any part of our plan to flood this market with over-runs or reprints of American editions.

The New American Library, publishers of Signet and Mentor books in the USA, and whom the Trade know to be foremost among American paper-back publishers, has a reputation for quality of production and range of subjects surpassed by none and the availability of their titles in the field of fiction, education and the classics should result in nothing but good for the Trade and the reading public alike.

EXECUTIVE MANAGEMENT

In all these expanding new interests executive management is the key to success and to the rate of our progress. As I have intimated, we have recently taken steps to fill urgent gaps by recruitment from outside where necessary. We believe that we are now adequately staffed at the top and that replacements should in future be available from within the ranks of the Group.

INDIA

I now turn to our overseas Companies, of which pride of place for the year under review must undoubtedly go to our Company in India.

COMPANY MEETING REPORTS

Once again it has achieved a most satisfactory increase, both in trade and profits, and in the present year this substantial improvement is being maintained, although consequent upon this year's Budget profit margins have been cut, despite which we have reasonable hopes of yet a further record result.

I have in the past been cautious when forecasting results in that country for political and economic considerations can, at very short notice, seriously affect and even reverse the trend of our trade. Once again our special thanks are due to the Management of our Indian Company who fortunately are young enough to have many years of activity ahead of them to our great benefit.

AUSTRALIA AND NEW ZEALAND

In Australia, where spectacular advances were made in 1959 as a result of the success of our new brand, "Viscount" and of the merger with the International Tobacco Company, continued progress was made which, if not so spectacular in terms of profit, was none the less highly satisfactory. "Viscount" has continued to expand its sales, supported by a weight of advertising which should ensure the steady expansion of our business and our profits in this important market.

Before leaving the subject of Australia I should like to place on record the Board's appreciation of the great services rendered by Colonel F. H. Wright, OBE, VD, to Godfrey Phillips Holdings Ltd., whose Chairman he has been since its formation in 1951 until his retirement this year. I am glad to be able to report that he is remaining on the Board and I am confident that Mr J. S. Tait, QC, who has taken over the Chairmanship, will prove a worthy successor.

In the neighbouring Dominion of New Zealand, our brands have continued to find favour and our leading line, D. R. Filters, has forged further ahead. This is a country in which your Group has always enjoyed great goodwill and we are eagerly looking forward to the time when economic conditions there will allow some relaxation of import restrictions, thus enabling us fully to meet the at present unsatisfied demand for our imported brands.

RHODESIA

In Rhodesia the reorganisation of our leaf interests to which I referred last year, has resulted in a steady year's trading, the benefits of which under the terms of the financial structure, will accrue during the current year. Our friends and associates in this venture, Dibrell Brothers of Danville, Virginia, have put a great deal of effort and experience into this project which should bring excellent results in the future.

PAKISTAN

Before leaving our overseas interests, I should like to advise you of negotiations which have been going on for the past few months with the Premier Tobacco Company of Karachi, Pakistan. For many years we have had registered in Pakistan a Subsidiary Company which has never traded but which has been ready at the opportune moment to take advantage of the very considerable Goodwill attaching to our leading brands in India, much of the advertising and propaganda for which must flow over the borders into neighbouring Pakistan.

Premier Tobacco Company have approached us to take a substantial but minority interest in

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their Company, which is highly successful with increasing sales of its own brands. This is a rapidly expanding and still unsatisfied market and Premier has the sanction of Government to increase its manufacturing capacity with the help of foreign capital, and is particularly desirous of manufacturing our leading Indian brand under license. Negotiations to this end are well advanced on the basis of an investment by ourselves in terms of cash, plant and machinery.

It was a fortunate coincidence that the approach from the Premier Tobacco Company came shortly after the decision to withdraw from the Home Market in that much of the plant and machinery required for Pakistan can be supplied immediately from our own resources without the long delays involved in waiting for delivery of new machinery. We are also in a position to provide expert technical assistance, of which Premier are in need, and your Board are of the opinion that this association will be a profitable one and that we are acting wisely in obtaining a foothold in this developing country.

THANKS TO THE STAFF

Once again I should like to thank all our employees, staff and management, at home and overseas, all of whom have contributed to the better results now before you. Special thanks are due to our management and staff here at home, to whom the past few months of our reorganisation have been particularly trying and difficult.

Since I last addressed you a year ago much has happened which is perhaps unusual and outside the ordinary conduct of the business; many have been the discussions, arrangements and negotiations and they have borne heavily on my colleagues who, as always, have given me throughout their help and loyal support.

CURRENT YEAR

In conclusion, I will turn for a moment to the year 1961. Figures which are so far available indicate that we should have another good year and results should be no less favourable than those now before you. We shall complete our reorganisation here at home and will pursue the steady development of our printing and publishing activities, although too much must not be expected too soon of the latest and more recent arrangements which we have been able to make.

Given a continuation of our successful overseas trading and in the absence of any circumstances not foreseeable at this moment, my colleagues and I confidently hope to meet you in a year's time with equal satisfactory results.

ADOPTION OF REPORT AND ACCOUNTS

I now propose that the Report of the Directors and the Balance Sheet be received, approved and adopted; and that the payment of Dividends of all classes of Preference Shares and the proposed Dividend on the Ordinary Stock and Shares and the allocations as shown in the Profit and Loss Account be approved and confirmed. I will ask Mr D. V. Littlejohn to second the Resolution.

Mr D. V. Littlejohn, TD, FCA (Joint Managing Director) seconded the resolution and it was carried.

The retiring directors, Mr A. M. Borthwick, MC, TD, and Mr C. M. Paynter, having been re-elected, the proceedings terminated with a vote of thanks to the chairman, directors and staff.

REPORT AND STATEMENT OF THE CHAIRMAN

Remarkable Growth of Hawker Siddeley Group

*In 25 Years Group has Increased Turnover
from £6 million in First Year to £458 million in Last 17 Months*



SIR THOMAS SOPWITH REVIEWS WORLDWIDE AVIATION AND INDUSTRIAL ACTIVITIES

Reports U.K. Trading Profit £29 million; Highest Ever Order Book; Exports £56 million
Group writes off £15 million on Civil Aircraft Design and Development
Urgent Plea for British Space Programme, "It's Now or Never"

This is our Silver Jubilee year. Twenty-five years ago I reviewed the first year of operations for the Hawker Siddeley Group. Our gross sales then were £6 million.

Today, 25 years later, I am glad to report gross sales of £458 million for the 17 months period covered by our Accounts, a figure roughly equal to £324 million for a comparative 12 month period. I think it can be fairly said that this is a substantial record of growth.

From this year's U.K. trading profit of £29 million we have written off expenditures on Design and Development amounting to more than £15 million. This represents only a portion of the money expended by your Group on civil transport aircraft, the AWA Argosy, the Avro 748 and the new de Havilland Trident.

Taking our revenue for the 17 months at £458 million, equal to £324 million for 12 months, this shows a gratifying increase of £64 million over our last annual report.

The Group export record continues to grow. In the period of these Accounts we have exported from the United Kingdom about £56 million and our export drive is being intensified around the world.

GROWTH

This has been another period of remarkable growth for the Hawker Siddeley Group. Since my last report we have acquired the de Havilland and Blackburn companies, thus supporting the Government's policy of concentration in the aircraft industry. I now sincerely hope that the Government will do their part and support us.

AVIATION

Hawker Siddeley Aviation has a proud record which we must

maintain. We now have the capacity and the experience to produce any kind of aircraft, military or civil, which may be required.

Our range of aviation products is probably the widest of any company in the world, from the small, light aircraft to large jet airliners and powerful nuclear bombers.

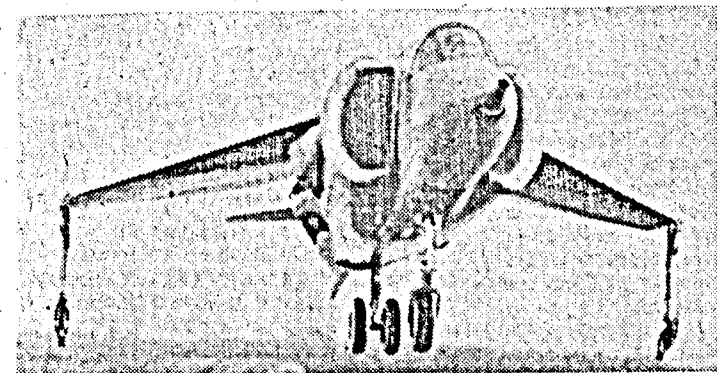
We have written off £15 million in our current Accounts on Design and Development for civil aircraft, but we cannot afford to continue to absorb such heavy expenditures. Private venture projects involving this kind of Development expense are essential if we are to maintain our position in the world civil air transport market. But we can only carry forward these projects if we get continuing and substantial Government support.

INDUSTRIAL

On the Industrial side of our activities we have had a good year. Our turnover and profits have increased and the business shows definite signs of further expansion. Export orders increased significantly over the previous year in all markets despite increasingly severe competition.

CANADA

The first signs of economic recovery in Canada are now



The Hawker P1127 Vertical Take-Off Military Strike Fighter, first of its kind in the world, has a great future with its derivatives.

becoming apparent but it will be some time before the Canadian economy is again in a healthy condition. In spite of current difficulties, our long term confidence in Canada remains unshaken and our companies there are tackling their problems with vigour and imagination.

SPACE

Russia and the United States have put men and satellites into Space, but this country is still debating whether or not we should enter this field of endeavour for which our national skills are so admirably suited. As a Company we have done everything we can and we are now awaiting the vital policy decision from our Government. It is now that Britain must decide to embark on a major space programme—or never!

Communications satellites should be the first general peaceful use of

space and the returns from this application will amply justify the investment in developing the necessary capital equipment.

Our whole technical future is inextricably bound up with our future in Space and, to me, it is unthinkable that this nation will stand aside from Space development and allow all its potential advantages to evaporate and disappear by default.

CONCLUSION

Your Group as a whole faces the future with confidence.

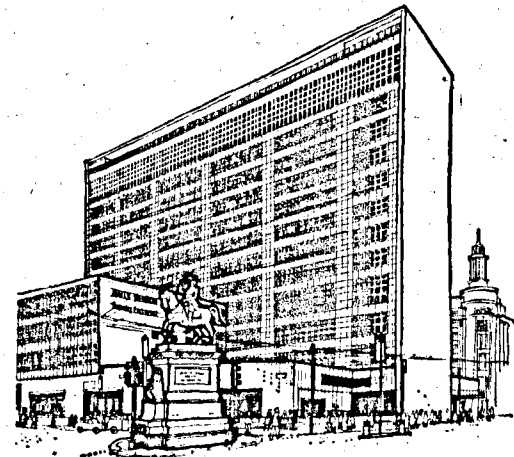
Our order book at December 31, 1960, stood at £366 million, a higher figure than ever before.

We have gone through a strenuous period but the Group has emerged in strong and vigorous health. Indeed it has become one of the leading Companies in the world and one of the most powerful, well poised to attack the future.

FINANCIAL HIGHLIGHTS

AUGUST, 1959—DECEMBER, 1960—17 months

Sales : U.K. Group	£ 314,000,000
A. V. Roe Canada Group	144,000,000
	£458,000,000
Order Book at 31st December 1960	£ 366,000,000
Trading Profit : U.K. Group	29,058,000
A. V. Roe Canada Group	2,023,000
Design & Development Expenditure on Major Aircraft Projects written off in the U.K. Group	15,649,000
Taxation : U.K. Group	5,001,000
A. V. Roe Canada Group	2,285,000
Profit after tax and minority interests	7,771,000
Dividends to shareholders	3,739,000
Profits for the period retained in the business	4,032,000
Number of Shareholders : Ordinary	74,746
Preference	7,773
Number of Debenture Holders	22,206
	104,725
Employees at 31st December, 1960: In the U.K.	103,837
Overseas	31,246
	135,083



The Daily Mirror Newspapers Limited

An important and eventful year
New acquisitions at home
and overseas

Statement by the Chairman, Mr. Cecil H. King, at the Annual General Meeting of The Daily Mirror Newspapers Limited 5th July 1961

Before reviewing the year's results I would like to take this opportunity of welcoming three new directors to your Board. Mr. C. B. de Launay is joint managing director of the Kelly-Iliffe Group and Mr. F. J. Rogers has taken the place of Mr. E. M. Gray as director in charge of production and personnel. More recently we invited Mr. P. G. Walker, managing director of Albert E. Reed & Company Ltd., to join the Board as representing our paper interests.

As you will be aware, the financial year which ended on 28 February has been one of the most important and eventful in the history of your company. The developments begun in the year will have far-reaching consequences and have already led the Daily Mirror Group to the forefront of world publishing.

The profit before taxation of the Group as a whole was £4,330,696, a reduction on last year of £1,228,027. The decrease was due to a number of factors, the most substantial of which was the very heavy expenditure incurred in promoting the Group's weekly and monthly magazines. The costs of running in new plant at our printing establishments and at the newsprint mill at Gravesend have also played their part in the reduction of trading profit. In addition, there has been an all-round increase in operating costs more than off-setting the increased volume of Group revenues from advertisements and sales.

High Daily Mirror sales

Turning now to the constituent parts of the Group and its associates, the Daily Mirror newspaper, the robust heart of our enterprises, has, under all the circumstances, had a satisfactory year. Revenue from advertisements in the Daily Mirror has surpassed all previous totals and sales of the newspaper have remained exceptionally high. The price of the paper was raised by 1d. to 3d. just after the end of the financial year and it is a measure of the loyalty of our readers that this has had only a minimum effect on sales.

Amongst newspaper staff changes which took place in the spring of this year, Mr. J. S. Nener, the editor of the Daily Mirror for eight spectacular years, relinquished the post on his appointment to the Board of the Sunday Pictorial. Mr. L. A. Lee Howard took over as editor of the Daily Mirror.

Other newspapers

Your sister newspaper, the Sunday Pictorial, which is engaged in a hard-fought circulation battle with The People, had a less successful trading year due in the main to increased promotion and production costs. The price increase of January will go some way to restore profit margins.

Of our other newspaper interests, where we share control with the Sunday Pictorial, Reveille has enjoyed a year of increased profit with sales well maintained.

In Scotland the Daily Record is making excellent progress. When we took over in 1955 the average sale was under 350,000. Since then a much improved paper assisted by a continuous circulation drive has added over 150,000 new buyers and we now have sales in excess of 500,000 copies daily. The Sunday Mail, Scotland's home produced Sunday newspaper, has maintained its sales with well above 600,000 copies a week. I have great faith in the future of our Scottish enterprise, the profits of which, in the current year, are benefiting from the recent price increase to 3d. of the Daily Record.

Newspapers overseas

Our newspaper interests are by no means confined to this country, of course, and one of our most flourishing associated companies controls five newspapers in three territories of West Africa. The name of the company, West African Newspapers Ltd., was changed to Overseas Newspapers Ltd. during the year to embrace a widening sphere of operations. An important step has been taken of moving into the Caribbean area with the acquisition of the two largest papers in British Guiana—the Guiana Graphic and the Sunday Graphic. More recently Overseas Newspapers has acquired jointly with The Liverpool Daily Post and Echo Ltd. over 62% of the issued capital of the company publishing the Barbados Advocate. The West Indies is the logical area for the further development of our overseas publishing activities and I have every confidence that both these West Indian companies will be valuable additions to Group interests when reorganization is complete. Overseas Newspapers' profit shows a material increase over the previous year's record.

Periodical publishing

I would like now to turn to periodical publishing, which exerts a very big influence on the

fortunes of the Group. Fleetway Publications, responsible directly for 29 women's, children's and general periodicals, had a poorer year. This was due principally, as I have said, to the heavy expenses of promoting women's magazines.

During the year under review Fleetway launched two new publications and closed down three. First of the new publications was Honey, a full-colour monthly for younger women which has already proved its worth to advertisers. Fleetway's strong position in the children's market was further confirmed in May last year by the launch of Buster, an exceedingly popular weekly for young children, and, in the current year, by a third publication entitled June, June, a colour weekly for girls, is a companion to Princess, which was launched in January 1960 and has been a marked success from its first issue.

Women's magazines

Notable amongst our women's weeklies is Woman's Mirror, which was put into magazine format and full colour in the autumn. Woman and Home, already the best-selling women's monthly in Britain, has substantially increased in sales and Woman's Journal, supreme in its quality market, has attained its highest level for seven years. One of the early results of our acquisition of Odhams Press in the current financial year, will be the merging of Fleetway's Woman's Illustrated with Odhams' Woman in September. By this amalgamation and other means Fleetway may be enabled to reduce costs and achieve more satisfactory results.

During the financial year Fleetway's two subscription book companies—The Educational Book Company and The Waverley Book Company—were merged. It is anticipated that the resulting joint company—The Waverley Educational Book Company—with an expanded sales force coupled with administrative economies, will lead to better financial returns.

In addition to publishing, one of Fleetway's minor activities is the manufacture of paper dress patterns as a service to its women's publications. It was decided that no useful object was being achieved by running two pattern factories and in April 1960 one of these, the Weldons' operation, was sold as a going concern.

The three subsidiaries concerned with printing and book binding—Percy Brothers, Noakes Brothers and the Fisher Bookbinding Company—all had a satisfactory year's trading. Their turnover is, however, small compared with other Group operations.

Kelly-Iliffe Group

Fleetway's technical publishing is the responsibility of the Kelly-Iliffe Group, an 80% owned subsidiary. The Group underwent a structural reorganization last summer. The name of Kelly's Directories Ltd. was changed to Kelly-Iliffe Holdings Ltd. and the directory publishing side of the business was transferred to a new subsidiary company named Kelly's Directories Ltd. Thus Kelly-Iliffe Holdings Ltd. became a holding company co-ordinating the activities of three subsidiaries—Associated Iliffe Press Ltd., Kelly's Directories Ltd., and Thomas Skinner and Company (Publishers) Ltd.

These publishing concerns were added to during the year by the acquisition of Practical Press Ltd., which publishes nine periodicals mainly for the catering trades. I am pleased to tell you that Sir Bracewell Smith, who was chairman of this company at the time of the acquisition, has agreed to continue in that capacity. A further addition to the Group was made by the purchase of The Statist, an old-established economic journal, which, with Mr. Paul Barea as editor since April, is already widening its influence.

Thomas Skinner and Company (Publishers) Ltd., which, as you know, owns the popular financial weekly for investors, the Stock Exchange Gazette, is also responsible for the famous ABC transportation time-table series and a new printing factory is being planned for their production.

At the close of the year under review the companies of the Kelly-Iliffe Group were publishing 46 trade, technical and specialized journals and well over a hundred directories and year books. Amongst them is a new Associated Iliffe Press monthly, International Plastics Engineering, which was launched to meet the world need for a journal catering exclusively for the manufacturer and user of plastics machinery.

Trade and technical journals are amongst our soundest publishing enterprises, performing an important service to industry and maintaining a high and growing level of profit. In the past year the Kelly-Iliffe Group made a record trading profit of over £1½ million—each of the three main operating subsidiaries exceeding its previous best result.

Acquisition of Odhams' Press

Prominent amongst the year's activities were the events leading up to the acquisition of Odhams Press Ltd. In March of this year. The Odhams publishing combine includes, in addition to the newspapers and periodicals produced from its headquarters in Long Acre, the extensive publishing activities of the George Newnes Group and the Longacre Press. Its technical publishing companies include Tothill Press, Temple Press, and the National Trade Press Group.

Odhams also owns a large book publishing business, a well-equipped printing establishment at Watford and an out-door advertising company, in addition to an interest in a number of profitable trade fairs and exhibitions.

The Odhams Group has a great flair for magazine publishing and I welcome its

expertise. Odhams' Woman and Ideal Home, each commanding a huge market of readers and advertisers, are outstanding amongst many examples of good printing married to skilled journalism. Almost equally successful is Newnes' Woman's Own, running second to Woman in the women's field. The two "do-it-yourself" magazines, Practical Householder and Homemaker, are further successful properties.

The Odhams Group controls some 120 British weeklies, monthlies and quarterlies in all, amongst which it is not invidious to single out such contrasting titles as Country Life, Tit-Bits, Amateur Gardening and Wide World Magazine. Some indication of the variety of the Group's trade, technical and specialized publications may be gained from mention of The Contract Journal, Nuclear Engineering, Hairdressers' Journal, Electronics Weekly, Plastics and The Farmers Weekly, amongst a great many others.

Odhams' newspapers

The acquisition of the Odhams Group brought to us, in addition to its large family of periodicals, the three Odhams Press newspapers. The People, the Daily Herald and The Sporting Life.

It is no secret that while The People is a very sound business property, running second in the competitive Sunday market, the Daily Herald is not. It has, in fact, lost considerable sums of money in recent years, largely because it cannot attract sufficient advertisement revenue. No action of ours can speedily reverse that situation. Nevertheless, the linking of the Herald with the Daily Mirror Group, the chief publishers of left-wing newspapers, presents opportunities for the Herald.

We intend to bring to bear on it the full measure of our resources. As I have already announced elsewhere, under our guidance and in association with the Trades Union Congress, its future is assured for a much longer period than might otherwise have been the case. It will have editorial freedom, as a responsible political journal, to speak out strongly for the left to men and women in all walks of life. I look forward to it becoming one of the most quoted dailies in the country.

Integration of Odhams

Since the transfer of Odhams Press was completed just after the end of the financial year Odhams' operations play no part in the accounts before you. The integration of this complex group into our already extensive network of companies is a huge operation and is bound to take some time. We must expect some changes in company structure. We can be certain, however, that under the direction of Mr. Hugh Cudlipp, who became chairman of Odhams Press Ltd. last month, the company will play a vigorous role in the future of the Daily Mirror Group.

Pulp and paper manufacture

Turning now to our interest in pulp and paper manufacture, you will know that the direct control of the Imperial Paper Mills in this country and of the Anglo-Canadian Pulp and Paper Mills in Canada has been transferred to Albert E. Reed and Company Ltd. The transfer involved a share exchange and gave the Daily Mirror company a much enlarged holding in the Reed Paper Group, in whose operations we have had an interest for many years. Reed is now one of the major paper-

producing companies of the world.

As a consequence of tariff reductions on many imported papers, prices in the home industry have been reduced. Reed's future is fortified, however, by good management and by diversification both at home and overseas. Reed's overseas interests include participation in the further development of the Tasman Pulp and Paper Company Ltd. in New Zealand, and the acquisition of a large group of companies in Australia. In Europe a joint company has been set up to build a carton board mill in Italy. Reed is one of the largest manufacturers in Europe of corrugated cases and the new pulp and paper mill in Norway for the production of corrugating medium is expected to come into operation in the autumn of this year. Reed is well established to meet the growing opportunities in the international paper and packaging markets. The Reed Group has emerged as a world-wide partnership producing pulp, paper, board and packaging materials in the four main trading areas of the world: Commonwealth, European Free Trade Area, Common Market and Dollar Area.

Associated Television

Our dividend income from the television programme producing company, Associated Television Ltd., continues at the high level of last year. Television advertising in Britain reached a new peak in 1960 of £77 million, an advance of nearly one third on the £58 million spent on this medium in 1959. In his budget of April this year the Chancellor of the Exchequer saw fit to impose a tax of 10% on television advertisements. While it is too early to make forecasts about the year ahead the profits of ATV's financial year ended 30 April are not affected by it. ATV enjoys its full share of the industry's prosperity and, viewed in association with the company's recent moves towards expansion abroad, we can regard its future development with the utmost confidence.

Future prospects

Arising from the very considerable growth and development of our Group you will wish to know something of our prospects for the future. Although it is always unwise to speculate about the trend of costs, I can safely say that expenditure on two of the items I mentioned at the beginning of this review, namely publicity and the running in of new plant, will be reduced in the current year. Furthermore, profit margins will benefit from the rise in newspaper prices and from operating economies made possible by the Group's new acquisitions. Taken together, these factors should lead to substantially improved results.

New premises

A fitting close to the year's events was provided by the occupation of our splendid new premises in Holborn Circus. We are proud of this building, whose imposing structure has become one of the most colourful features of the central London landscape. Within the building new techniques in newspaper production mean that we can operate with a speed and efficiency unmatched by any other newspaper organization.

Special regard has also been paid to working conditions and amenities for the staff employed in the building. To them and to all others at home and overseas who assisted in the manifold activities of the year, I wish to express my sincere thanks.

THE STANDARD BANK OF SOUTH AFRICA LIMITED

ANNUAL STATEMENT BY THE CHAIRMAN

The Annual General Meeting of The Standard Bank of South Africa Limited will be held on July 26th at 10 Clements Lane, London, E.C.4.

The following is an extract from the statement by the Chairman, Sir Edmund Hall-Patch, GCMG, which has been circulated with the report and accounts:

During the past year developments throughout Africa have been taking place at a swift pace and, owing to increased public interest, are being amply covered by the main organs of public opinion. From this wealth of information, sometimes contradictory in character, the question doubtless arises in shareholders' minds as to how, in general terms, these developments affect the Bank in which they have a stake. I thought this year that I would attempt to answer this question rather than hold to the pattern of the Statements made in previous years.

Last year I stressed dangers then all too apparent: on the one hand the danger of trying to advance more quickly politically and socially than economics will allow; on the other hand the danger of refusing to advance at all, even when it is evident that such refusal is undermining confidence and having a damaging effect economically. Events since then have shown even more clearly that these dangers are very real and still persist. Inevitably the pace of economic advancement has been retarded.

EXTENT OF RECENT ECONOMIC ADVANCE

Despite present uncertainties, great economic strides have been made, and should not be forgotten. For example, in South Africa mineral production has climbed in value during the last five years from £290 million to £415 million, and gold sales from £180 million to £290 million. Mining has made good progress too in the Federation. In both territories primary and secondary industry has gone steadily ahead. Agriculture has shown healthy growth in East, Central and South Africa. Leaving gold aside, the total exports, in money terms, from all three areas realised £781 million in 1960 compared with £623 million in 1955, that is, over £150 million more than five years earlier. Looked at purely from the point of view of visible trade, the external account of all three areas remains strong.

GROWTH OF THE BANK

Against this background it is not surprising that the Bank, too, has grown. In the five years ended in March, 1960, our Balance Sheet total rose by some £50 million and deposits by over £40 million, our issued capital by £4 million and the Reserve Fund by over £3.5 million. The net annual profit has risen steadily and the net amount of dividends paid by more than £400,000. We have now about 850 offices in East, Central and South Africa, that is 130 more than in 1955.

PRESENT ECONOMIC DIFFICULTIES

Thus, the problems which our Bank is now facing in the various territories should be seen

against a background of solid achievement and considerable resilience. This is not to minimise those problems or their severity. Not only are there the continuing stresses and strains which naturally arise in any society during the process of transition from a traditional to a modern economy, but there has been the additional shock of the developments in the Congo which, since July of 1960, have cast a shadow over the economic prospects of neighbouring territories.

This has led to a steady outflow of capital from our trading area: in some cases an outflow of domestic capital, in other cases the withdrawal of imported capital. It has been necessary for the South African Authorities to reverse their former expansive monetary policy; Bank Rate has been raised, inducing a higher pattern of interest rates; tighter import restrictions and exchange regulations are in force. In the Federation there has likewise been a steady outflow of capital. In order to check this, exchange control was introduced in February of this year. Previously, interest rates had been raised in order to induce some fall in the demand for credit. In East Africa the flight of capital has been, in the main, from Kenya where banking deposits fell during the year by £9.1 million. In Uganda and Tanganyika in the same period there were seasonal fluctuations but a net increase at the end of the period.

The effect of this loss of capital is all the more serious as every one of these territories, but especially the Federation and East Africa, is dependent on the import of fresh capital for its economic development. The withdrawal of existing funds at once creates problems.

For the banks the immediate consequences of tighter monetary conditions have been increased demands for advances. The deterrent effect of higher interest rates—these have risen in all three territories by between $\frac{1}{2}$ per cent and $1\frac{1}{2}$ per cent during the past year—has, however, not proved sufficient to discourage would-be borrowers. The banks in general have, therefore, been obliged to follow a restrictive advance policy in keeping with the resources available to them.

On a more personal note, all these developments have meant added strain for our staff who are having to bear their full share of the brunt of current difficulties. Shareholders will, I am sure, wish to join me in paying tribute to the unswerving loyalty and continuing efforts of our staff which have made possible the results before you for this year.

BALANCE SHEET

Referring first to the Bank's liabilities, you will see that the amount of current, deposit and other accounts has risen by over £30 million.

Turning now to Current Assets, it will be seen that the total of cash in hand, at call and at short notice, Treasury bills and trade and other bills has risen in all by some £10 million.

It will also be seen that advances have risen by some £25 million. The lower level of investments amounting to about £50 million is due,

in part, to sales to meet the demand for increased advances and, in part, to lower market quotations.

PROFIT AND LOSS ACCOUNT

The higher level of Advances has been largely responsible for the increase in the amount of net profit, which this year amounts to £1,338,862. Adding the amount of £567,878 brought forward from the previous year, the total available for allocation is £1,906,740. Your Directors have considered it appropriate to propose the allocation of an increased sum amounting to £250,000 to the Reserve Fund. After allocating a further £50,000 to write down bank premises, they feel able to recommend that the final dividend to shareholders be raised by 1 per cent, making a total distribution for the year of 15 per cent. This will leave £596,115 to be carried forward to the next account.

THE PACE OF FUTURE PROGRESS

I have described how our Bank has continued to make progress despite current problems. Provided law and order is maintained and reasonable political stability assured, I am sure this progress will continue.

Although there has been a net capital outflow, traffic has fortunately not been entirely one way. Overseas investment in developing mineral resources, manufacturing, processing and assembly plants continues. Tanganyika should perhaps, be especially singled out as the subject of growing overseas interest. One cannot but be impressed by the quiet confidence with which this country, under Mr Julius Nyerere, is approaching political independence, which is to be achieved on December 28, 1961. Were evidence needed of confidence in Tanganyika's ability to borrow abroad, it is to hand in the recent Report by the International Bank for Reconstruction and Development (The World Bank). This report recommends a comprehensive programme of improvements and states that the Tanganyika Government should shape their policies on the assumption that the necessary loans will be forthcoming.

Continuing efforts are being made, generally, by national and international organisations to provide funds for essential purposes in the developing countries. It can be argued with force, in the light of present world conditions, that an appropriate proportion of whatever governmental or inter-governmental aid is made available should be channelled to Africa.

Encouraging as are the efforts of national and international organisations, development in East, Central and South Africa will continue to depend largely on the provision of private capital from abroad. In present circumstances such capital is not easy to obtain. It is essential, therefore, that existing capital resources should be husbanded and used to the best advantage.

In this connection reference has been made in past years to the difficulties caused by the provisions of the South African Banking Act of

1942. In the first place, commercial banks have had to maintain with the Reserve Bank a statutory cash reserve, on which no interest is allowed, equivalent to 10 per cent of their demand liabilities to the public and 3 per cent of time liabilities. Thus, these percentages of deposits must be earmarked for the reserve balance and the resources of the banks are to that extent immobilised. The South African Government have, I am glad to say, taken notice of representations by the banks on this point and the law was recently amended so as to give the Reserve Bank power to vary, subject to a minimum of 6 per cent, the percentage of demand deposits to be maintained with it as a statutory balance. This increased flexibility is welcome.

The commercial banks are also required to maintain in South Africa capital and unimpaired reserves equivalent to 10 per cent of their liabilities to the public, after certain allowable deductions. These deductions do not, however, include trade bills. As trade bills eligible for rediscount with the Reserve Bank virtually represent cash, they ought, in my view, to be deductible when calculating capital and unimpaired reserve requirements under the Act. The recent amending law did not, unfortunately, deal with this point.

The present requirements of the South African Banking Act are such, in fact, that any increase in our banking business demands comparatively heavy injection of new capital—either by way of fresh cash or retained reserves. At a time when fresh cash and profits may be harder to find it is gratifying to note that the South African Government have set up a Committee to examine the present banking legislation.

CONCLUSION

I have outlined the general conditions, and some of the more specific problems, which face the Bank today in East, Central and South Africa. That great economic strides have been made and that there is a strong economic foundation for further expansion is unquestionable. It is true that recent political events have slowed down economic progress throughout our trading area except, it seems, in Tanganyika. It must, however, be becoming increasingly apparent to those in authority, or those aspiring to authority, that not least in their own interests, there are certain hard economic facts which cannot be ignored. It is better, surely, if sometimes painful, to learn these hard facts early rather than too late. We are now witnessing how inevitable and inescapable is the link between economic advance and social and political progress.

To press forward hastily with political evolution is in tune with the times. By these methods attractive solutions to thorny short-term problems may sometimes appear to offer themselves. But no political advance built on insecure economic foundations is likely to endure. The development of a modern diversified economy in Central and East Africa will call for continuous effort and great patience over a long period. It is a poor service to Africa to lead its peoples to believe that the possession of political power will, of itself, bring immediately a general rise in the standard of living. These benefits can only come by hard work, increased productivity and some sacrifice of leisure which, by many in Africa, is very highly prized. It is for the leaders of all races to weigh these obvious points as they proceed with their plans for political advancement. Unless close and constructive thought is given to the economic factors involved, the realisation of

WEBB'S CRYSTAL GLASS COMPANY

The forty-first annual general meeting of Webb's Crystal Glass Company Limited was held on July 5th in London, Mr R. E. N. d'Abo (the chairman) presiding.

The following is an extract from his circulated statement:

The Group Profit for 1960 amounts to £116,937 compared with £111,070 for the preceding year, and the Net Profit after taxation is £62,822 as against £57,636. We recommend a final dividend of 7½ per cent, less tax, making a total dividend of 12½ per cent, the same as last year.

1960 was our best trading year since 1955 and all our works reported increased sales.

Walthamstow Works: The rebuilding at this

HIELD BROTHERS LIMITED PRODUCTION DEPARTMENTS FULLY EMPLOYED

The thirty-ninth annual general meeting of Hield Brothers Limited was held on June 29th at Briggella Mills, Bradford.

The following is the statement of Mr David H. Hield (Chairman) which had been circulated with the Report and Accounts for the year ended March 31, 1961.

Our Accounts this year are presented in a new and up-to-date form which we consider to be easier to read and simpler to follow than in the past.

I have pleasure in submitting our annual report showing a group profit after taxation of £169,019 as against £256,797 for last year.

From the profit available this year we recommend the payment of the half-year's dividend on the 6 per cent Cumulative Preference Stock and 16½ per cent on the Ordinary Stock. This is the same amount of dividend as last year but paid on the increased capital.

In addition, we have transferred £83,116 to Reserve, bringing the Group Revenue Reserves to a total of £666,329.

THE YEAR'S TRADING

You will remember that the excellent results for 1959-60 were in part due to exceptionally favourable circumstances. The same favourable circumstances have not prevailed during the year now under review. Although I am well satisfied with the results achieved I feel they might have been better but for credit restrictions.

Our production departments have been fully employed throughout the year and the output of cloth was the highest for any year since the end of the last war. Deliveries to customers, however, show a reduction compared to last year, when our figures were the highest for twenty years.

We have a full order book and full time

holds, this Bank will seek to maintain an efficient service and continue to play its part in the economic progress of the areas where it is established. Since the earliest days of modern banking in Africa the Standard Bank has shown great resilience in periods of disturbance and I am confident that it will continue to do so.

factory should be completed by the end of 1961. Turnover has increased during the year and it is gratifying to know that many of the components we manufacture are eventually exported.

Stourbridge and Edinburgh Works: During the year the rebuilding at these two works was completed. Both works enjoyed a year of increased sales and approximately 23 per cent of our crystal glass was directly exported, and, in addition, there was a significant increase in the output of industrial glass ware for the Electronic Industry.

Prospects: The pressure on profit margins is becoming even more severe and it may be difficult to maintain the same level as in 1960. I anticipate that our 1961 profits will be reduced, but I am confident that the modernisation of our works will enable us to be fully competitive, and that we will obtain the benefit in future years.

The report was adopted.

running is assured for some months ahead. Competition is keener throughout the world, and profit margins consequently have been narrower.

Our building programme at Briggella has been much hindered by the continually wet weather, and it will be towards the end of this year before the developments are complete.

GREYSTONE MILL PROJECT

Your Board has decided to double the spinning capacity at Greystone Mill. Work on this project will start shortly and an expenditure of some £20,000 may be incurred in this financial year over and above the commitment shown in the Accounts. The main cost of the Greystone development is expected to fall in 1962-63 and is estimated at £140,000. We are confident that these developments will prove advantageous to the Company.

The Subsidiary Companies show a small trading profit for the year but owing to an adverse movement in exchange rates we show a loss on the Consolidated Profit and Loss Account. In Canada competition is as extreme as ever but the mill has a full order book and is running to capacity.

During the year my grandson, Mr Michael D. A. Hield, has been appointed to the Board of Directors. He has been in the employ of the Company for over 10 years. He will offer himself for re-election at the Annual General Meeting.

In conclusion I wish, on behalf of the Board, to express our thanks and appreciation to the staff and all operatives for their work throughout a busy year.

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

The retiring directors, Mr W. W. S. C. Neville, MC, BEM, and Mr Michael D. A. Hield, were re-elected and the remuneration of the Auditors, Messrs Whinney, Smith & Whinney, having been fixed, the proceedings terminated.

THE BRITISH PLASTER BOARD (HOLDINGS) LIMITED

RECORD LEVEL OF SALES

The 44th annual general meeting of The British Plaster Board (Holdings) Limited will be held on July 27th in London.

The following is the statement of the Chairman, Sir Graham Hayman, which has been circulated with the report and accounts for the year ended March 31, 1961:

FINANCIAL RESULTS FOR THE YEAR

I am glad to report that the Group's profit on trading for the year to March 31, 1961, amounted to £3,193,278, being £23,668 higher than the record profits for the previous year. I must add, however, that due to the imposition of a higher profits tax, the net result is slightly less than that achieved a year ago. The United Kingdom companies of the Group showed higher profits but these were offset, to some extent, by lower earnings of our companies in Canada, where the recent trading recession and credit restrictions have affected the building industry as a whole.

After providing for taxation on the year's results of £1,738,238 (which includes profits tax at 12½ per cent compared with 10 per cent for the previous year) and taking into account adjustments relating to prior years of £27,072, there remains available for appropriation by the Group, the sum of £1,482,112. Subsidiary companies have retained £234,137 as reserves and unappropriated profits and £500,000 has been added to the General Reserve of the Holding Company.

For the second successive year, the Chancellor of the Exchequer has increased the rate of profits tax; a tax on fuel oil, which your Group uses in increasing quantities, has also been imposed. The Chancellor is also seeking powers to impose a Payroll Tax in the United Kingdom, the possible impact of which cannot be assessed at present. Undoubtedly the effect of these additional burdens on industry will either be passed on to consumers in the form of higher prices or will lead to reduced margins. In all the circumstances, your Directors feel that the dividend on the Ordinary Stock ought to be maintained at the same level as last year and they now recommend a final dividend of 7½ per cent which, with the interim payment made in January of 4 per cent, makes a total for the year of 11½ per cent.

Amongst the few items on the Balance Sheets which call for comments, there is a small increase of £100,000 in the Company's Ordinary Stock, which was issued to acquire the total issued capital of Britannia Folding Box Company Limited, to which Company I made reference in my Statement last year. The fixed assets of this new acquisition, as well as those of Wesco Paints Limited, Canada, which was purchased for cash during the year, and of Platrieries Modernes de Grozon, whose results are consolidated for the first time, account for £400,000 of the increase in fixed assets. We have also continued with the re-equipment of our plants and various expansion schemes both at home and overseas in order to increase capacities and achieve lower production costs.

It is of interest to recall that the last time cash capital was raised was in 1946 when there

was an issue of ordinary capital yielding approximately £1 million. Since then about £14 million (including depreciation reserves) has been retained in the Group to finance new plant and extensions for the purchase of new subsidiaries at home and overseas and to provide additional working capital to finance the rapidly rising scale of our operations.

The larger amount of investments in trade and associate companies reflects the expansion of our interests in associated companies overseas and in companies on which the Group depends for supplies of certain raw materials.

The figures for stocks and debtors at March 31, 1961, totalling £8,023,000 are larger by £1½ million compared with the previous year. This increase, which includes the stocks and debtors of new companies consolidated for the first time, is an indication of the greater activity experienced during the year in all sections of the Group.

The high level of expenditure on capital account and the employment of additional working capital has resulted in the Group's main bank accounts being overdrawn at the end of the year but the Company's arrangement with its Bankers is proving adequate for present needs. As and when the Group's development programme calls for less temporary facilities, consideration will be given by the Board to other methods for providing the necessary finance, possibly by way of a debenture issue.

TRADING ACTIVITIES IN THE UNITED KINGDOM AND EIRE

The demand for building materials in the United Kingdom continued to rise and our sales of gypsum rock, plaster and plasterboard reached record figures.

To maintain our competitive position and taking into account continued improvements in our manufacturing costs, the selling prices of plasterboard were again reduced in November last. The opportunity was also taken to bring into effect a zoned delivery price scheme to the benefit of our customers.

Considerable progress is being made in the use of plasterboard for the internal lining and partitioning of buildings. This development is being assisted by the new system of construction developed by our subsidiary, Drycon Limited. Groups of houses built by this subsidiary to demonstrate the system are being sold readily at satisfactory prices and plans are made available to any contractor who may be interested.

During the year, permission was received from the authorities to enable The Gypsum Mines Limited to open the new mine at Brightling, and work on that important project has now been started. This will enable ample supplies of gypsum rock to be made available to The Gypsum Mines Limited locally to meet its long term requirements.

The Group's output of anhydrite, which is sold by us for the production of sulphuric acid, showed a slight reduction compared with the previous year. Increased quantities of acid are,

of course, now being made in this country, but imported natural sulphur is being used as an alternative raw material to a greater extent.

Our Research Department is making an increasing contribution in dealing with the many special problems arising from our manufacturing operations both at home and overseas. Arrangements covering the exchange of technical information with gypsum companies in other parts of the world are also being broadened and should prove mutually beneficial.

The Davidson group of paper and paper board companies in the United Kingdom have again made an increased contribution to the Group's profits. Output for these companies as a whole was a record, both in tonnage and value, despite intense competition in certain lines of packaging products. Although wage rates and the cost of fuel and raw materials have all increased, we have to face the possibility of a fall rather than a rise in selling prices after July 1st when there will be a further reduction in the rate of import duty on paper and paper board. I must also point out that the margin between the price of Scandinavian wood pulp and Scandinavian paper delivered into this country continues to contract and there is no doubt that if this trend goes further, it will become more difficult to compete economically in some of the grades which have been traditional to our mills for many years.

However, in addition to making paper board and wrapping papers the Davidson Companies also manufacture cartons, containers and rigid boxes, paper bags and multi-wall paper sacks, film and wax wrappings on an increasing scale. Through this spread of interests, some of which you will recall have been introduced in recent years, and through our plans for further development in the future, we consider that the Davidson Group should continue to operate at a satisfactory level of profit.

Better trading conditions prevailed in the roofing felt industry, particularly during the latter part of the year, and D. Anderson & Son Ltd. improved their position. They are well placed to avail themselves of the increased activity in the building and contracting industries and to meet the demand from overseas markets.

Our engineering companies in the Midlands have had another successful year. Demand for heavy lorry fittings and agricultural accessories was exceptionally high, and the new equipment installed by our companies during the year has been fully employed.

In Glasgow, William Ross & Sons Limited experienced a difficult year of trading, partly on account of the continuing depression in the ship-building industry on Clydeside.

OVERSEAS

As I have already mentioned, our Canadian companies had a less satisfactory year, as the demand for building materials, particularly in the first half of the year, was seriously curtailed. Towards the end of 1960, however, following changes in the National Housing Act regulations

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covering the financing of house purchases, there was a marked increase in housing construction which has continued into 1961 with a consequent improvement in the demand for the products of our companies.

I am glad to report that the new plasterboard factory in Vancouver, which has now been running for over a year, has settled down well and an important share of the British Columbia market has been secured. Our insulation company, Westroc Industries Limited, had a difficult year's trading mainly through the marked decline in building activity in British Columbia. However, with a return to more normal trading conditions, we are confident that the high degree of insulating efficiency of its products by comparison with competitive materials will bring about an improvement in sales and earnings.

In January, our Canadian subsidiary, Western Gypsum Products Limited, purchased the share capital of Wesco Paints Limited. This company produces joint cement for use with plasterboard and a range of latex paints. Our operations in this latter field are at present on a modest scale but our short experience in this market leads us to be optimistic for the future and this acquisition will help to broaden the base of our Canadian operations.

Taken as a whole, your Directors are well satisfied with the progress which has been made in Canada in a comparatively short period. While the trading results last year were disappointing, they were entirely due to what is regarded as a temporary phase of recession in that country. Our various operating units are well equipped and suitably located to the markets and with the anticipated increase in house construction generally, an upward trend in earnings can be expected. The Company proposes, at the appropriate time, to extend its operations in Eastern Canada, and in the meantime, provisional steps have been taken by securing a site and a gypsum deposit to enable this project to be carried through when trading conditions justify it.

In the main, it is not practicable to export those products of the Group which are based on gypsum, and in consequence, it has been the Board's policy to develop in the Common Market area by increasing investments in plants situated in the countries of that association. In France, our subsidiaries, Platrieries Modernes de Grozon and Platrieries du Sud-Est, have been engaged in the modernisation, extension and re-siting of certain plant, which has considerably interrupted their trading activities. These changes are now almost complete and should give rise to improved earnings. Our associate company, Placoplatre S.A., continues to do well. Our Belgian associate company has made progress in the past year towards achieving the desired level of turnover.

Our Swedish associate company has again had a good year, and a further increase in productive capacity is now under consideration.

Our associated and subsidiary companies in Africa continue to do well and we are hopeful that the change in the political status of South Africa will have no significant effect on the prosperity of our associate company there, Gypsum Industries Limited. The newsprint project at our Umtali plant in Southern Rhodesia, which I mentioned in my statement of last year, is up to schedule, and it is expected that the plant will commence production early in 1962 as planned.

Since the end of the financial year, an agreement has been reached with Australian Gypsum Industries Limited of Melbourne, whereby your

COMPANY MEETING REPORTS

Company will take up one million shares in the Australian company at a cost of £480,000 sterling. This holding, representing just under 9 per cent of the total issued capital of the Australian company, will make your Company the largest individual shareholder and Mr. R. S. Jukes, the Group Managing Director, is to be your Company's representative on that Board.

Australian Gypsum Industries Limited produces mainly gypsum plasters and plasterboard, and rockwool insulation products, and it has plants in Melbourne, Sydney, Adelaide, Brisbane and Mildura. The agreement between the companies which also provides for collaboration in technical and research information should be beneficial to both.

FUTURE PROSPECTS

There again appears to be a danger of a substantial rise in costs largely influenced by wage demands in excess of increased productivity which, coupled with higher taxation in the form of additional profits tax and fuel oil tax, will tend to reduce profit margins during the coming year. However, there are various projects covered by the Group's development programme, which are beginning to make their contribution to profits, and these, together with the further economies which we hope to make in our traditional operations, give good grounds for anticipating satisfactory results in the current year and continued progress.

PERSONNEL

During the year, the Board decided that the Group should participate in the State Graduated Pension Scheme in respect of all its United Kingdom employees, thereby leaving it free to make changes in the staff and operatives' pension schemes without reference to the state pension authorities.

I am glad to take this opportunity to put on record the sincere thanks of the Board to the Management and all our employees, at home and overseas, for the loyal co-operation and constructive efforts which they have contributed during the past year.

L'AIR LIQUIDE

Paris, France

The Ordinary General Meeting, held on June 16, 1961, under the Chairmanship of Mr. Delorme, Chairman and Managing Director, unanimously approved all the resolutions submitted.

The Accounts for the financial year 1960 show a profit balance, after amounts have been set aside for Provisions of 25,238,548.85 New Francs, which makes it possible to fix the net dividend, payable on and after Monday, July 3, 1961, at 6.50 New Francs per share and at 40.12 New Francs per "part bénéficiaire." It is to be noted that this dividend of 6.50 New Francs is payable this year on all the shares forming the share capital whereas in 1960, the shares issued at the time of the last increase of capital were only entitled to a half-coupon.

Furthermore, the Meeting re-elected Messrs Jean Delorme, Olivier Moreau-Néret and François Vernes, the retiring Directors.

In his address, the Chairman, after having emphasised the increasing importance of the consumption of oxygen produced as "tonnage oxygen" in the metallurgical and chemical industries, also drew particular attention to the possibilities of using this gas in other industries as a result of research and tests now in hand.

He stated that L'Air Liquide, true to its vocation of producer and vendor of gas, has not hesitated to finance an important investment programme in order to meet these new needs.

Finally, the Chairman stressed the development and intensification of the Company's research resources in the field of very low temperatures and quoted as an example some of the new uses of gas which it produces: the utilisation of liquid hydrogen and oxygen for the propulsion of rockets, of liquid hydrogen and helium in the field of atomic power, for obtaining industrial vacuums, for the operation of calculating machines or of direction heads in rockets.

PORTALS LIMITED

Extracts from the Report and Accounts for 1960 and from Sir Francis Portal's Statement to the Stockholders

Meeting June 29, 1961

	1960	1959
Issued Capital ...	2,756,262	2,756,262
Group Reserves ...	2,048,276	1,680,614
Group Trading Surplus ...	1,280,210	1,204,872
Group Profit, after Tax ...	645,747	587,120
Dividends ...	20%	17%

GROUP TRADING

The profit on our papermaking side for 1960 shows a slight improvement compared with the previous year. Apart from the opening months we have consistently worked on an overtime basis. Our Water Purification and Engineering Companies, now grouped under a holding company, Laverstoke Investment Trust, have had an extremely good year. The profits of this Group have again exceeded any previous figure. The in-take of new business also reached record figures, not only for the Group as a whole but for most of the individual companies.

PROSPECTS FOR CURRENT YEAR

The present position in all sections of your organisation is satisfactory with full order books both on the Bank Note papermaking side and on the Water Purification and the Engineering sides. In the absence of unexpected difficulties, the prospects therefore for the current year are promising.

RAND MINES, LIMITED

(Incorporated in the Republic of South Africa)

ADDRESS BY MR P. H. ANDERSON, DEPUTY CHAIRMAN

The sixty-sixth Annual General Meeting of the Company was held at the Board Room, Corner House, Johannesburg, on Monday, June 19, 1961.

Mr P. H. Anderson, who was in the Chair, in the course of his remarks said:

ACCOUNTS

I would refer to the reduction in the dividend from 30 cents to 25 cents announced on June 8, 1961. In their decision to reduce the dividend in respect of the first half of the current financial year your Directors were influenced not by the stringency of the present financial climate, but by long term considerations of the proportion of earnings which it is essential the Company should retain for building up its portfolio of investments and finding and developing new business. Since Rand Mines assumed greater financial, executive and administrative responsibilities at the end of 1957 the proportion of distributable profits which it has retained for these purposes has been increased year by year; and with this latest adjustment it has now reached a level which in the view of your Board is more appropriate for its present requirements.

EXPLORATION PROGRAMME

The Company's intensive exploration programme continued to be pursued during the year, primarily within South Africa but also in South West Africa, Bechuanaland and Southern Rhodesia. As is usual in this type of work many prospects were rejected out of hand, some after a cursory examination or investigation, and only relatively few proved worthy of large scale exploration. I might mention that it is not our aim at this stage to prove the existence of low grade deposits for "lock-up" purposes. Drilling for gold took place in three areas in South Africa, all of them in the Transvaal. One of these prospects was abandoned early in the year without encouragement; one has recently been abandoned after the promise of an early borehole was unfortunately not confirmed by subsequent drilling; and drilling is continuing in the third. In addition Rand Mines has a participation in an area being drilled for gold by a company in another Group. Although gold remains the main objective of our exploration, several copper, asbestos, manganese and other base mineral propositions were actively explored during the year.

As a result of investigations in the metallurgical field it was decided during the year to incorporate a private company, the Nourse Electro Chemical Corporation (Proprietary) Limited, for the production near Johannesburg of electrolytic copper and certain by-products from scrap obtainable from local sources. Construction of the required plant is expected to commence shortly and it is planned to start production early next year. Further investigations in the chemical and metallurgical fields continue, particularly in regard to ferrochrome where our work has proved sufficiently encouraging for the incorporation of a Company known as RMB Alloys (Proprietary) Limited for the purpose of confirming the pilot plant results on a production basis and to test the

market. To this end arrangements have been concluded with a local company for the use of certain of its plant and equipment in conjunction with our own pilot plant which is being transferred to that Company's site.

The total expenditure on exploration, including that of all the exploration companies, was R1,313,000 of which Rand Mines' share was R877,000 compared with R525,000 in the previous year.

While the rate of expenditure, particularly during this past two years, has been at a high level it will be recalled that in previous years comparatively little was spent in this connection. It is planned that expenditure should be at a much lower level during the next two years or so thus reducing the average over the period. Exploration work is competitive and is the life blood of mining houses. I would emphasise the necessity for and the importance of finding and developing new projects for Rand Mines if it is to play its rightful part as a parent company in a major South African mining Group.

GOLD AND URANIUM INDUSTRY

The amount received for gold during the year increased by 14 cents to R25.07 per ounce largely as a result of the high prices ruling in the last four months of the year. It is generally agreed that fears regarding the inherent strength of the dollar and the outflow of gold from the United States were responsible for this rise in the price of gold. The fact that the fears have so far proved to be wrong is significant but also significant is the further illustration that people all over the world are conscious that gold and not paper currency still remains the ultimate value and the finest basis for commercial trade.

GOLD AND URANIUM MINES OF THE GROUP

As announced early this year an important scheme has been evolved for the co-ordination and rationalisation of certain of the mining activities of the Harmony, Virginia and Merriespruit gold mines. A consortium led by Rand Mines has formed a company, Virginia-Merriespruit Investments (Proprietary) Limited, which has acquired, for R7 million, the entire interest of the Kennecott Copper Corporation of America in Virginia Orange Free State Gold Mining Company Limited and Merriespruit (Orange Free State) Gold Mining Company Limited. As part of the scheme the administration and technical management of Merriespruit has been transferred to Rand Mines. While the administrative control of Virginia remains with the Anglo-Transvaal Group, operations at Virginia's mine property will be closely co-ordinated with those of Harmony and Merriespruit. A provisional agreement has been concluded between Harmony and Virginia whereby the former will sell to the latter certain mining rights in extent 397 claims for R6 million. The agreement is subject to ratification by shareholders at meetings to be held. The scheme also provides for Virginia to tribute a portion of Merriespruit's lease area. All the arrangements have been planned with the concurrence and approval of the relevant Government

Departments and it is confidently expected that the scheme will benefit both the Harmony and Merriespruit companies and will result in an extension of the profitable life of Virginia with consequential advantages not only to the local community but to the national economy as a whole.

Summarised details of operations and results of the Group's gold and uranium companies of the Witwatersrand and Orange Free State are contained in the Directors' Report.

INDUSTRIAL INTERESTS

The opportunity recently presented itself of concluding an agreement with Leo Computers Limited of London for the acquisition of an electronic computer and the establishment of a computer service bureau in Johannesburg. It is anticipated that satisfactory savings will be effected by the companies of the Group by deputing to the service bureau a great deal of work. It is expected that the bureau will furnish a new and timely service to the business community and that a reasonable return will be made on our investment.

Your Company continues to play its part in the development of the local money market.

FUTURE OUTLOOK

It is obvious that one cannot comment realistically on the future outlook for the Company without at the same time making reference to the outlook for South Africa, to whose development and advancement Rand Mines has made no mean contribution and in which its future lies.

Events of the past year or so, including this country's break with the Commonwealth and culminating in the restrictive financial measures announced by the Minister of Finance in the House of Assembly last Friday, June 16th, have naturally affected the confidence of the outside world in relation to South Africa. The circumstances which have rendered it necessary for the Government to take such emergency measures are regrettable, but it is clearly their duty to protect the country's finances against the existing capital outflow. It is to be hoped that these measures will be of the shortest possible duration, because in the final analysis the solution of the country's problems requires an expanding economy.

As I see it, the future of South Africa depends on the ability to carry out new developments which will sustain and progressively advance the living standards of its peoples. As with the developments, in its case not only to expand but also to replace the gradual shrinkage in its achievement of all such developments, however, must rest upon suitable social and economic conditions in the Republic. In striving to bring about these conditions it behoves all of us who are intimately concerned with the affairs of South Africa and its future to be constructive in encouraging policies which would be beneficial to the majorities of the various sections of the population and would engender the

restoration of overseas confidence in South Africa, not only financially but in the widest sense.

I suggest that in shaping a course through the complex, but not insurmountable, problems which confront South Africa, a policy of planned and gradual social change is far likelier to

achieve greater stability and most lasting benefit to the vast majority of the country's inhabitants than would result from precipitate and radical action. There seems to be little doubt that the great majority of the population wish and believe their future to lie along the path of co-operation and steady advancement.

RICHARDSONS, WESTGARTH & CO., LIMITED

MR. O. J. PHILIPSON'S REVIEW

The Annual General Meeting of Richardson's, Westgarth & Co., Ltd. will be held on July 26th, at Wallsend.

The following are extracts from the Annual Review of the Chairman, Mr. O. J. Philipson.

The profits of the Group for the financial year to April 1st, 1961 before tax but after providing £611,600 (previous year £491,200) for depreciation, £313,200 (£252,400) for development expenditure and £238,800 (£211,700) for loan and debenture interest amounted to £128,000 (£516,900). After a net tax credit of £59,000 (tax charge of £266,000), the net profit was £187,000 (£250,900).

This unsatisfactory result, as already forecast, has been largely brought about by the intense competition that has existed these past few years and the consequent need to take on certain orders at unremunerative prices to provide reasonable continuity of production in the works. Full provisions against losses have been made in all such cases.

The profits from the use of the new 'Henderson' Graving Dock at Immingham represent its use for only part of the financial year.

No interim dividend was declared in November and in announcing this the Board expressed the hope that it would be possible to make a reduced distribution when the results for the full year ending April 1st were available. In view however of the unchanged trading outlook and as the year's results have been affected by provisions made for losses on contracts booked since November at unremunerative prices, the Directors do not feel justified in recommending any dividend payment for the year out of profits. In order however to mitigate the consequence to shareholders they recommend a tax free capital distribution of 1½d. per share amounting to £73,886 out of capital reserves.

MARINE MARKET

Difficulties facing British Shipowners are too well known to call for comment here. It is evident that there is now a large excess shipbuilding capacity throughout the world and it is clear that the advantages enjoyed by foreign shipbuilders by way of long-term credit facilities and subsidies are prejudicial to the British Shipbuilding Industry. These difficulties have been factors in the scarcity of orders and the fierce competition over such orders as have been placed.

The North Eastern Marine Engineering Co. Ltd. have successfully completed and installed the first engine of Götaverken design to be built in the British Commonwealth.

In looking back on the history of South Africa the growth and progress that have taken place over the last half century lead one to feel sure that it is on the continuation of this and the concomitant effect on living standards that the real hope exists of arriving at a successful solution of the country's present difficulties.

matter that at such a time additional manufacturing costs will have to be met, such as increases in wages, steel, fuel and rates, and in respect of graduated pensions and pay-roll tax—all largely resulting from Government policy and wholly beyond our control.

The Hartlepool and Humber Works will be actively engaged during the current year, but the other Works are likely to become progressively less busy as the year proceeds, unless orders for additional marine engines or other products can be secured in the near future.

The present financial year starts with orders on hand, including work-in-progress, totalling £31½ millions, which is only 10 per cent lower than a year ago. It is of extreme concern to your Board that by reason of the combination of basic conditions referred to above and the absolute need to maintain and intensify technical and commercial effort, the figures which will be presented to you at this time next year are bound to show a substantial loss. All possible steps are being taken as part of a long-term programme to restore the profitability of the Company.

A copy of the full Chairman's Review can be obtained on application to: The Group Secretary, P.O. Box 2, Wallsend, Northumberland.

TENNANT BROTHERS

POPULARITY OF DRAUGHT BEERS

The Seventy-ninth Annual General Meeting of Tennant Brothers Limited will be held on July 26 at Sheffield.

The following are extracts from the circulated statement by the chairman, Mr H. K. Wilson:

The financial year ended March, 1960, constituted a record in the history of the Company. In the year under review we have broken that record by 4.8 per cent.

An outstanding feature has been the continued increase in the popularity of the Company's draught beers, particularly those of the stronger qualities.

The national distribution of Gold Label Barley Wine has been considerably extended during the last twelve months. The wine and spirit trade has increased in volume but competition becomes keener. Squires Gin is now accepted by the trade and public alike, accounting for over one-third of our total gin sales.

Our Retail Department has once again shown a very satisfactory return on the capital invested.

Accounts: The Group Profit before taxation at £575,026 reflects an increase of £60,570 over 1960. The dividend of 13 per cent on the Ordinary Shares is in respect of an issued Capital increased by 18,667 Ordinary Shares since the last Balance Sheet.

Your Board recommend a splitting of each Ordinary Share of £1 into four Ordinary Shares of 5s. each. Your directors consider that this will improve the marketability of the Company's equity capital.

THE MANGANESE BRONZE AND BRASS COMPANY

GROUP PRODUCTION AND EARNINGS MAINTAINED

MR J. C. BUDD'S STATEMENT

The sixty-second ordinary annual general meeting of The Manganese Bronze and Brass Company Limited was held on June 29th at 2 Londor Wall Buildings, London, E.C.2, Mr J. C. Budd (the chairman) presiding.

The following is an extract from the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1960:

Your company was incorporated in 1899 and has traded under its present title since that date. For many years the company has been known throughout the industry at home and abroad as "Manganese Bronze" and in view of its present somewhat cumbersome title your Directors recommend that we should shorten the title to "Manganese Bronze Limited" to have effect from January 1, 1962.

THE YEAR'S TRADING

Sales of marine propellers have been well maintained during 1960. Elsewhere in the Group production has remained at a satisfactory level and the results are generally comparable with those of 1959.

It is possible therefore to recommend the same gross rate of dividend distribution as last year.

The Group Accounts for the year ended December 31, 1960, show a profit before taxation of £608,293 (against £610,225 for the year 1959) after charging £152,529 (£125,965) for depreciation. Provisions for taxation require £279,268 (£266,097) leaving a net profit for the year of £329,025 (£344,128).

Your Directors recommend a final dividend of 8d. per share on the Ordinary Shares, making 1s. 0½d. per share for the year (same).

In July, 1960, the Lightalloys factory at Willesden was sold. At the same time the construction of new factory buildings at Beverley to accommodate the transfer of production was put in hand. The completion of this transaction will be largely reflected in the 1961 accounts. The Net Fixed Assets at £2,687,640 show an increase of £379,238 over last year due principally to the new buildings at Beverley and the replacement of plant and machinery at Handford Works, Ipswich. It will also be noted that there is a trade investment of £10,000 shown on the Balance Sheet which is attributable to our interest in the new export sales company—Stone-Manganese Marine Limited.

Net Current Assets at £1,150,463 show a decrease from the previous year of £224,759 and it will be noted that we now have a Bank overdraft of £310,259 due to the heavy calls to finance the reorganisation pending the final settlement of the sale of the factory at Willesden and transfer of production to Beverley. Total Net Assets have risen from £3,683,624 to £3,848,103.

WORKS REPORTS

Stone-Manganese Marine Limited. In conjunction with Stone Platt Industries Limited we formed a new company to promote the export sales of marine propellers and other marine specialities manufactured by both groups of

companies. The company has been in existence for less than a year, but I am happy to say that it is making satisfactory progress, and should make a useful contribution to our efforts in the export market.

Birkenhead Works. The demand for our propellers throughout the year remained at a high level and although the output was below the record figure achieved in 1958, the results were satisfactory having regard to the depressed state of the shipbuilding industry. I am also pleased to report that the outstanding commitment at the end of the year shows an increase over the previous year.

Our Proprietary Scimitar designs continue to be favoured by many shipowners and shipbuilders throughout the world and the services of our technical staff are in constant demand. Equally, the severe operating conditions of the modern marine propeller have resulted in an increasing demand for our special alloy Nikalium.

Your technical staff has also been engaged in the further development of controllable pitch propellers and a number of orders were secured during the year.

Handford Works Ipswich. Sales have again increased steadily throughout the year. There has been a greater demand for our special alloys, notably in aluminium bronze and nickel aluminium bronze.

The laboratories were extended to permit the introduction of modern analytical and metallurgical equipment to ensure that our programme of research can be extended with particular reference to the investigation of alloys to withstand the arduous service conditions called for by the engineering industry.

Elton Park Works Ipswich. The demand for sintered metal products was affected by the recession in the domestic appliance and motor car industries during the latter half of the year, but nevertheless sales were exceptionally good.

The new equipment purchased as a result of the tests made in 1959 was installed for the most part by the end of the year with a resultant expansion in production and speed of operation.

STEVEN & STRUTHERS LIMITED

Although the reorganisation of this works has taken longer than originally anticipated, the improvements to the plant and buildings have proceeded steadily during the year.

Production has expanded and towards the end of the year additional premises were leased for the manufacture of rigid foam products transferred from the Willesden factory.

CAPLIN ENGINEERING COMPANY LIMITED

With the sale of the Willesden factory it was necessary to erect new production shops at our Elton Park Works and the transfer of the whole of the plant was completed early in 1961. During 1960 it was necessary to sub-contract a considerable amount of the machining in the Ipswich area, but even under these conditions the financial results were very satisfactory. Pro-

duction from the new factory should be in full operation by June, 1961.

LIGHTALLOYS LIMITED

A large foundry extension was undertaken at Beverley for the purpose of absorbing the production of the Willesden factory and it had been hoped that the transfer would be completed by the end of 1960. Unfortunately building delays and adverse weather seriously affected the programme, and production on a reducing scale had to be continued at Willesden until the beginning of this year.

DEANS AND SON (YORKSHIRE) LIMITED

The company with Lightalloys Limited now forms the Deans and Lightalloys division of the Parent Company, thus preserving the names and retaining the associations of the former companies.

A substantial building programme was put in hand during the year including a large new aluminium foundry and office block totalling over 90,000 square feet.

The delay in completing the foundry has severely restricted production of aluminium castings as well as other products. It would now appear that the installation of plant will not be complete before next June.

Despite alterations to the railway modernisation programme, the principal business of this company in public transport vehicles, with particular reference to railway carriages and motor buses, was satisfactory. The prospects for the future in these industries indicate a steady demand for our products. Considerable development work has been carried out on improvements to doors and equipment for passenger vehicles and we believe that demand for these specialised products will increase.

GENERAL

The outlook for our range of marine products, while still dependent on shipbuilding, nevertheless appears to be better than was considered possible at the end of the previous year, and the formation of Stone-Manganese Marine Limited should enable us to expand our export sales.

Prospects for wrought products are exceptionally good and our attention to research into new alloys has been more than justified.

The present recession for our sintered metal products is generally thought to be of a limited nature, and there should be a marked improvement particularly when the Motor Car Industry returns to full production.

It is too early for us to benefit from the combination of Lightalloys Limited and Deans and Son (Yorkshire) but the amalgamation of these two companies operating in similar fields should prove a valuable asset. The transfer of a large works from London to Yorkshire is a major operation and the full advantage of this re-organisation will not be obtained before 1962, and we must be prepared for a loss this year.

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

Resolutions having been passed changing the name of the Company to "Manganese Bronze Limited" on or as soon as practicable after January 1, 1962 and amending the Articles of Association, the proceedings then terminated.

THOMAS LOCKER (HOLDINGS) LIMITED

Manufacturers of Screening, Filtration, Conveying and Handling Equipment

RECORD TURNOVER AND PROFIT

MR T. C. LOCKER ON DIVERSE RANGE OF PRODUCTS

The 14th annual general meeting of Thomas Locker (Holdings) Limited was held on June 29th in Warrington, Mr T. C. Locker, MA, M.Sc., A.M.I.Mech.E. (chairman and joint managing director), presiding.

The following is an extract from his circulated statement:

The results of the Group's trading during the past year have again been a record both in turnover and profit.

Profit margins have been narrower, though the increased turnover and increased efficiency within the organisation have enabled the final result to be so good.

I am pleased to report that our Australian Company has made further progress and that their factory has been extended. The Companies in South Africa and Rhodesia have not recovered from the set-back suffered in 1959 due to the slowing down of operations in the Industries which they supply, though they have continued to obtain a fair share, on a profitable basis, of the business available. In Belgium manufacture has now commenced at our Factory near Brussels and we look forward to this Subsidiary making a useful contribution to the future Group results.

We have been able to further strengthen our reserves by appropriating £100,000 from this year's profit to the general reserve and the Directors feel justified in recommending that a final dividend of 12½ per cent be paid, which, with the interim of 7½ per cent which you have already received, makes a total of 20 per cent for the year.

CURRENT PROSPECTS

The prospects for the current year are not unfavourable; our order books are better than at this time last year. Unfortunately, the economies resulting from our reorganisation are being offset by increased costs in labour and raw materials. Conditions are likely to continue difficult, though owing to the diversity of our products the Company should not be adversely affected.

In conclusion, I wish to pay tribute to the members of the staff at all levels, both at home and overseas, for their efforts during the past year.

The report and accounts were adopted and at a subsequent extraordinary general meeting a resolution was passed amending the Articles of Association in connection with the Directors' borrowing powers.

TARMAC LIMITED

REORGANISATION OF GROUP STRUCTURE FOLLOWING RECENT ACQUISITIONS

MARKET FOR ROADSTONE PRODUCTS CONTINUES ACTIVE BRIGHTER OUTLOOK FOR ENGINEERING AND BUILDING INTERESTS

MR CHARLES E. HICKMAN'S REVIEW

The annual general meeting of Tarmac Limited was held on June 30th at the Company's Registered Office, Tarmac Road, Ettingshall, near Wolverhampton, Mr Charles E. Hickman (the Chairman) presiding.

The following is his address which had been circulated with the reports and accounts:

It is with deep regret that I report the death on October 1, 1960 of Lieut. Commander G. C. Hans Hamilton, CBE, MA, RNVR (Retd.). As Chairman of Tarslag Limited, he joined your Board in December 1959 and during his ensuing short period of office he impressed us all with his advice and counsel, based as it was on a long experience in industry.

At a recent Meeting of Directors I informed the Board that, after thirty-two years as Chairman of your Company, I felt the time had come for me to make way for a younger man, and that it was my intention, after the forthcoming annual general meeting, to vacate the Chair, albeit retaining a seat on your Board. Your Directors have accordingly invited Sir Charles Burman to succeed me as Chairman, and his appointment is one which I shall welcome and in which you may have every confidence.

The programme of rationalisation to which I referred last year is now virtually completed and, as indicated in the Directors' Report, the activities of the companies which have recently joined us are now fully integrated within the three main operating subsidiary companies of the Group. While the financial benefits of this reorganisation were not fully felt in 1960, they did help to mitigate the effect of the continued intense competition in certain quarters and the atrocious weather conditions in the second half of the year.

GROUP ACCOUNTS

The Group Accounts disclose a gross profit for the year of £1,960,473 from which is deducted depreciation of £802,651. The charge for taxation is substantially higher at £548,396, partly owing to a further increase in the rate of Profits Tax for the year, and partly to the necessity of adding £96,300 to the Taxation Equalisation Account. After allowing for outside minority interests of £14,158, the net profit for the year becomes £595,268. Capital expenditure in 1960 exceeded one million pounds and forward plans include the building of new roadstone plants, which will be necessary to preserve your Company's status as one of the leading members of the coated macadam and aggregate supply industry. The expansion of trade calls for more working capital, as is indicated in the particulars of net current assets set out in the Consolidated Balance Sheet. To meet these requirements it is more than ever necessary to conserve funds by retaining profits within the Company and it is therefore recommended that £150,000 be placed to subsidiary company General Reserve Accounts and that a dividend of 12 per cent subject to tax, be paid on the Ordinary share capital. The balance carried forward on Profit and Loss Account will then be increased by £163,455 to a total of £481,335,

of which £399,082 remains within subsidiary companies and £82,253 is held by the Parent Company.

ROADSTONE ACTIVITIES

Tarmac Roadstone Limited had another highly successful year and contributed profits substantially in excess of those of the previous year. The tonnage of roadstone and other aggregates now being produced continues to increase, largely due to a greater output of slag from the blast-furnaces of the Iron and Steel Companies with which we collaborate. It gives me great pleasure to report a widening of this association with the steel industry through the conclusion of agreements to process the blast-furnace slag of the South Durham Steel & Iron Company Limited and, more recently, with the Workington Iron & Steel Company. The increasing supply of raw materials offers further opportunities for the creation of new markets, many of which are being energetically developed. Considerable progress has been made in the production of foamed slag as a lightweight aggregate and of granulated slag for use in the production of slag cement: the export of crushed and graded slag to Europe is developing appreciably, while a further activity of some note is the recovery of metal from steel slag for re-use in the normal course of steel production.

Meanwhile, the market for your company's roadstone products remains active and it is gratifying to note that sales tonnage for the first four months of 1961 has considerably exceeded that of the corresponding period of last year. This enhanced output of your Company's roadstone plants puts an ever-increasing load on the transport organisation. By constant modernisation of the fleet and first-class administrative efficiency all commitments in 1960 were met expeditiously and at a very satisfactory rate of profit. The results of the long-distance haulage business of Econofreight Transport Limited, one of the former Tarslag companies, showed much improvement, and all credit is due to those responsible for it.

CIVIL ENGINEERING AND BUILDING COMPANIES

The Group's civil engineering and building companies, now concentrated within Tarmac Civil Engineering Limited, experienced a very difficult year. Competition in the industry continued to be extremely keen and the level of prices at which contracts were let was at times ridiculously low. Your Directors declined to subscribe to such a policy, with the result that no large contract was obtained during the year. The wettest summer in living memory was another factor seriously affecting many contracts, particularly two large dams in course of construction. However, prospects for the immediate future are to some extent brighter and levels of prices show some signs of recovery. Several substantial contracts have now been obtained, among them being large civil engineering works in connection with the development

schemes of the Shelton Iron & Steel Company Limited at Stoke-on-Trent and of Steel Peck & Tozer at Rotherham, while the recent award of a contract for fifteen and a half miles of motorway in Cheshire provides a full order book for 1961. Mobile Lifting Services Limited added to its earnings and in so doing justified the capital expended during the year in maintaining the fleet of mobile cranes at a high level of efficiency.

Tarmac Vinculum Limited continued to expand its turnover, particularly in the field of structural and prestressed concrete products. The return obtained from this increased business still falls short of what is required but, here again, the results for the first quarter of

COMPANY MEETING REPORTS

1961 show a notable improvement, and prospects for the remainder of the year seem favourable.

THE OUTLOOK

In looking to the future it is well to bear in mind that our industry is very much at the mercy of national economic conditions and the equally unpredictable weather, any sudden change in either of which can upset the best of long-range forecasts. Present indications give grounds for reasonable optimism but, nevertheless, I prefer to confine my predictions to the more immediate future and to express the view that 1961, having started well, should prove to be another successful year.

AB GÖTAVERKEN

(Shipbuilders and Engineers)
GOTHENBURG, SWEDEN

A SATISFACTORY YEAR IN THE FACE OF ADVERSE CONDITIONS

NEW DIESEL ENGINE WITH RATINGS UP TO 25,000 bhp NOW AVAILABLE

The fifty-fifth Annual General Meeting of AB Götaverken was held in Gothenburg on May 16th, Mr A. Gabriellson, Chairman, presiding. The following is an extract from the report circulated with the accounts.

ORDERS AND PRODUCTION

Considering the depressed condition of the shipbuilding industry, the results for 1960 must be regarded as satisfactory. The turnover was Kr. 361.7 million, as compared to Kr. 352.1 million for the previous year. However, it should be noted in this context that the deliveries contributing to this result were contracted for in 1955-56 when the demand for new tonnage was altogether different than during the last few years.

Nevertheless, a certain improvement in orders was noted, particularly towards the end of 1960. Six new contracts for ships and 17 for engines were booked during the year, and the total orders for ships were 666,790 dwt at the beginning of 1961, as against 773,000 dwt a year ago.

But the new orders have been accepted at very low prices and unfavourable terms, since long term credits are demanded by customers. In the absence of export credit facilities the Swedish yards have had to finance the credits themselves, although such a scheme is being explored by the domestic banks.

The demand for marine diesels was also slight during the first half of the year, but improved towards the end as a consequence of the upturn in the demand for new tonnage. But engine prices remain depressed, as a result of the competition from engine builders with idle capacity. On the other hand, the development of a large diesel engine with ratings of up to 25,000 hp has put this engine in competition with the steam turbine for installation in large ships. Since the fuel economy of the diesel engine is superior to the turbine it is expected that the new engine will make some inroads into a field hitherto lacking an alternative to the steam turbine.

The prospects of the shipbuilding industry remain obscure. On the one hand, the shipbuilding capacity has increased by the addition of new yards and the rationalisation of existing ones, whereby the output has been materially

increased. On the other hand, there exists an oversupply of shipping, as evidenced by the many laid-up ships, and it seems unlikely that orders for new ships will come forth in the volume needed to keep the industry busy.

It is to be hoped, however, that when the new Arendal yard is available the Company will be in a healthy competitive position, particularly in respect of super-tankers, which appear to be the logical successors to the existing tanker tonnage.

DELIVERIES AND LAUNCHINGS

Nine vessels with an aggregate tonnage of 213,700 dwt were completed and delivered in 1960, viz.:

One motor tanker of 40,200 dwt;
One turbine tanker of 40,420 dwt;
Two motor ore-oil carriers of 34,250 dwt;
Two motor tankers of 19,330 dwt;
One cargo motorship of 11,050 dwt;
Two cargo motorships of 7,450 dwt.
Nine merchant vessels of altogether 180,700 dwt were launched during the year.

Main machinery delivered from the engine shop included 23 diesel engines with a combined rating of 197,950 bhp. Fifteen of these engines were delivered to other yards in Belgium, Norway, UK, and Sweden.

The first unit of the Company's new "large-bore" diesel engine was tested and installed in a 40,200 dwt super-tanker built by the subsidiary Öresundsvarvet. This particular engine was a ten-cylinder unit. From the tests the cylinder rating of the new engine has been put at 2,100 bhp, whereby a 12-cylinder engine will obtain a rated output of 25,200 bhp.

THE ARENDAL YARD

The work on the Arendal yard is proceeding according to schedule. The civil engineering, including grading of the rocky site and extensive fills, were completed during the year. About 560,000 cu. m. of rock and 300,000 cu. m. of silt and clay have been excavated. The two graving docks alone necessitated the removal of 190,000 cu. m. of rock. Pouring of some 30,000 cu. m. of concrete for the foundation of the docks and the pier was also nearly completed. The steel members of the assembly bays are being erected. One bay will be provided with two 150-ton overhead cranes, capable of a maximum life of 300

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Finally, I wish to place on record my appreciation of the support and loyalty of the management, staff and workpeople of the Group. They have all put in much hard work in producing the satisfactory results of the past year and have co-operated admirably in the establishment of an improved group management structure.

The report and accounts were adopted and the dividend of 12 per cent on the Ordinary Shares was approved.

The retiring directors, Sir Charles Burman, Mr T. McMillan, Senr. and Mr G. N. Wright, MBE, TD, FCA, were re-elected and the other formal business having been duly transacted, the proceedings terminated.

tons; the other will have two 80-ton cranes, in addition to other lifting gear. One of the stores is already under roof. The yard will be put into production in the beginning of 1963.

As previously mentioned, the Arendal yard represents a further development of the method of ship assembly employed by the Company for many years. As presently applied whole sections are being assembled in the open alongside the bed and added to the ship being built. The ship is launched empty and fitted out in the conventional manner.

The new yard is planned for continuous and complete assembly under roof. Work begins with the stern section at the rear end of the dock and as one section after the other is added and fitted out the assembly is moved on rollers towards the gate end of the graving dock. When the ship is completed the dock is filled with water and the finished ship towed out.

The docks permit the building of ships up to 140,000 dwt, but in order to utilise the yard capacity the two graving docks have been made wide enough to permit the assembly of two 20,000 dwt tankers alongside each other.

GROUP ACTIVITIES

During the year a new American sales subsidiary was formed under the name Götaverken American Corporation, with offices in New York City. Other wholly owned subsidiaries are:

Öresundsvarvet AB
AB Göteborgs Skeppsdockor
Rederi AB Zenit
Götaverkens Fönster AB
Götaverken Norsk A/S.

Öresundsvarvet had a satisfactory year with deliveries of five merchant vessels of altogether 106,605 dwt and launching of four vessels of 99,300 dwt. The deliveries included one motor tanker of 40,600 dwt and one 8,100 dwt refrigerated turbine tanker.

Total turnover of Öresundsvarvet reached Kr. 124.8 million (Kr. 106.0 million).

RESULTS

Net earnings after taxes were Kr. 15.0 million (Kr. 15.0 million) which together with Kr. 15.7 million (Kr. 6.7 million) carried forward from the previous year made Kr. 30.7 million available for appropriation, as follows:

	In Kr. '000
Retained in the business, as a new issue of 220,000 shares at Kr. 100.00	22,000
Reserve	1,600
Dividend of Kr. 8.00 per share	4,400
Balance carried forward	2,710
	30,710

The reports and accounts were adopted.

The Bovril Group reports...

Seventh successive record sales year for 'Bovril'

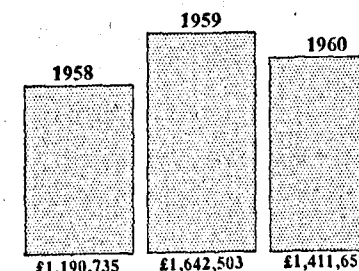
Lord Luke's speech

Net profits maintained despite rising costs

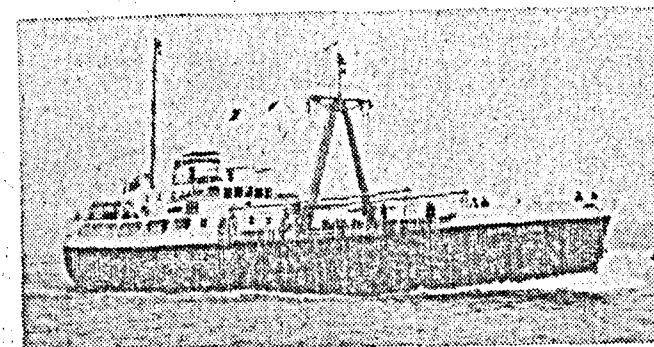
THE Sixty-fourth Annual General Meeting of Bovril Limited was held on 5th July 1961 in London. The following are extracts from the statement by the Chairman Lord Luke for the year ended 31st December 1960.

A Look at the Figures

The Consolidated Profits for the last three years before charging United Kingdom Taxation are as follows:—



The 1959 profits were the highest on record and included exceptional profits for Argentine Estates of Bovril Limited. The profits for 1960 show a substantial increase over those for 1958 as was forecast at the time of the rights issue.



SANTA ELENA, an important new British-built addition to the Bovril fleet

So far as 1961 is concerned the demand for Bovril has been very well maintained, despite the mild winter, and sales of most of our other products have shown an improvement, but sales of Corned Beef have not so far been up to last year's level, due to increased costs necessitating higher price levels.

Bovril Boom at Home and Abroad

This has been another year of increased sales of our main product, Bovril. There was also

a steady trend towards the purchase by the public of larger sizes.

Export sales in 1960 showed a substantial increase.

Confidence in the Argentine

The Argentine has been continuing steady economic progress and has re-established confidence in itself and the rest of the world.

We have been fulfilling our programme of capital investment with new equipment for the Santa Elena factory and consolidating our cattle position with economically run Camps.

The new refrigerated river boat, the "Santa Elena", built for us by the Grangemouth Shipbuilding Company, was launched by Lady Luke and sailed out under her own steam.

On the Estancias we have further developed our breeding policy using A.I. and made progress re-seeding Camps with improved grasses.

Milk on the Upgrade

We had a very busy year in 1960 and the total volume of milk handled by the Group increased some 12½ per cent; we are now processing in the region of 100,000 gals. per day, and considerably in excess of this figure during the flush season.

In Devonshire, Ambrosia Limited worked overtime

throughout the year in order to keep pace with the demand for Creamed Rice. Sales of Ambrosia Milk Puddings during the year were the highest yet recorded

Citrus

Because of the cool, indifferent summer, sales suffered, but Gold Cup Jaffajuce was in steady demand.



LORD LUKE, Chairman of Bovril Ltd.

Record for Marmite

Marmite Limited had a very successful year, the net profit having established a record in the annals of the Company.

New Publicity Centre

The Bovril Group has maintained its expenditure on publicity for all products in all available media. Our visitors to Head Office in London will shortly be received in a new centre specially prepared for displays, film shows and demonstrations.

People who give serious thought to the matter realise the important part advertising plays in the distribution of goods and services without which the economy would virtually come to a standstill.

Aid for the Retailer

Our relations with our wholesale friends are most cordial and long-standing and it is our intention to be co-operative at all times as they perform an excellent service by distributing our products. We are assisting the grocer by supplying him with point of sale display window shows, press advertising and television publicity and our sales force is always ready to give advice on merchandising.

A Tribute

At home and overseas our men and women have given unstintingly of their best and for this and for their loyalty we send them all our sincerest thanks.

BOVRIL LIMITED GROUP—SALIENT POINTS

Trading Profit	£1,640,405
Taxation for the year	£665,792
Depreciation	£279,225
Consolidated Net Profit	£798,699
Ordinary Dividend	£225,563
Profit retained in the business	£301,740
Capital Employed	£10,594,526

THE CENTRAL MINING & INVESTMENT CORPORATION LIMITED

SIR ARCHIBALD FORBES'S SPEECH

The fifty-sixth annual general meeting of The Central Mining & Investment Corporation Limited was held on July 3rd in London.

Sir Archibald Forbes, GBE (the chairman), presided and, in the course of his speech, said:

The outcome of the year's operations was, as expected, closely in line with that for 1959-60, a further rise in revenue from investments being partly offset by a fall in profits from share dealing. The net result was a profit, before taxation, of £2,448,000 which was £86,000 greater than for the previous year. Taxation (after deduction of an over-provision of £85,000 in past years) amounted to £1,029,000 leaving a disposable balance of £1,419,000.

INVESTMENTS

Net investment during the year amounted to approximately £1.5 million of which 72 per cent was in the United Kingdom, 21 per cent in Africa (or in companies with African connections), and 7 per cent elsewhere. Investment in the United Kingdom included the acquisition of a controlling interest in one industrial company (Elastic Rail Spike Co. Ltd.) and a substantial interest in another (Heatrac Ltd.). While our interests are predominantly in the mining sphere it is our intention to expand in the industrial and commercial fields in the United Kingdom and elsewhere as suitable opportunities occur. We believe that the broadening of the base of our activities in this manner will be in the best interests of the Corporation and its shareholders.

In the light of the valuation at the year end the net assets amounted to £27.1 million a fall of £1.6 million as compared with the previous balancing date which was due to the weakening of the prices of African securities as a result of the political difficulties in that continent. Of the net assets 50 per cent was represented by investments in the Republic of South Africa. Another 13½ per cent comprised holdings in companies with mining connections in Africa generally, although it is right to mention that two major investments in this category are in companies which have substantial interests outside Africa. These proportions have changed to 44 per cent and 15 per cent respectively in terms of the latest valuation of the net assets totalling some £26 million, the fall since the close of the financial year being largely due to the further decline in the prices of holdings in companies in the Republic. It is an interesting reflection of the African situation that the current market valuation of the Corporation's own shares represents little more than the current value of the 41 per cent of the net assets which has no connection with the African continent.

AFRICAN SITUATION

Last year I commented upon the need for South Africa to restore external confidence if its future economic progress was not to be arrested and expressed the hope that a solution to the political and racial problems would be found which would be acceptable to opinion

both within and outside that country.

Unhappily since then the situation has further deteriorated. The confidence of investors was seriously undermined by the events culminating in the break with the Commonwealth and was marked by a flight of capital from the country. This in turn gave rise to such pressure on the reserves of gold and foreign exchange as compelled restriction of credit and imports and subsequently the imposition of measures forbidding free movement of capital.

It is said—especially to those of us so deeply concerned with her affairs—that a country with such a great potential for development should have so alienated world opinion that for the time being there is little possibility of South Africa being able to attract the external capital which is essential if such development is to be continued at a reasonable pace. While it is fortunate that the major part of the capital programme of the new mines in the Far West Rand, Orange Free State and Klerksdorp fields has already been carried out, a substantial amount remains to be done and it will not be easy in existing circumstances to finance this except from the internal resources of the Groups concerned. Outside mining a continuing scarcity of capital would impede the building up of secondary industry which is so important to the future economic and social stability of the country. Indeed if existing conditions persist it is difficult to see how South Africa can avoid a general slowing down of economic growth and may indeed have to face some lowering of living standards. And it would seem to me that it is only against a background of rising standards flowing from steady economic development that long-term solutions to the difficult problems which now confront the country will be possible.

It is as yet difficult to say with precision what the effect of the recently imposed financial restrictions may be on our direct operations. All that can be said at this stage is that these measures will have the effect of containing within South Africa a part of our South African assets. There is no impediment to the sale of these assets but—subject to special permission—the proceeds must be retained or reinvested in South Africa. There is no restriction upon the remittance of dividends and interest. One would expect that every effort will be made to avoid any extension of the restrictions into this field.

Conditions are also uneasy in the Federation of Rhodesia and Nyasaland where we have much smaller but still significant interests. There the impact of the internal problems on outside investors arises from a different reason. The latter's confidence in South Africa has been shaken because of the impression that what is interpreted as an unduly repressive racial policy may eventually disrupt the political and economic structures. In the case of the Federation the fear is that in Northern Rhodesia the same situation may be brought about by undue haste in advancing the African to political power ahead of his acquiring the necessary sense of responsibility to exercise it. One can only hope that in both cases means will ultimately be found to enable the political, social and educational advancement of the African to move forward in balance and with reasonable speed, while at the same time protecting the interests of the European population and external investors who together have done so much to bring about the high degree of development already achieved in the countries concerned.

mately be found to enable the political, social and educational advancement of the African to move forward in balance and with reasonable speed, while at the same time protecting the interests of the European population and external investors who together have done so much to bring about the high degree of development already achieved in the countries concerned.

OTHER INTERESTS

Through our investments outside the Group we have an interest in a wide range of mining and industrial activities in Australia, North America, Rhodesia, Portugal and the United Kingdom. In all these cases dividends were, as indicated in the summary attached to the Annual Report, maintained or increased as compared with the previous year. Western Decca Petroleum Ltd. in accordance with previous policy did not make any distribution of profit but applied the earnings to further developments.

As to the outlook for our affairs in the current year, I have indicated the anxieties which naturally surround our African interests. Nevertheless on the best judgment that one can make at this early stage I believe that even after allowing for a further decrease in share dealing profits the total revenue should in the absence of some unforeseen happening be reasonably well maintained. Moreover, bearing in mind our position as a whole and also that at the present time our activities are largely those of a holding company receiving dividends which in a number of cases have underlying cover, I see no reason to think that we will be unable to maintain our own distribution (i.e. at the rate of 2s. 6d. per share) on the capital as recently increased.

The report and accounts were adopted.

CREDIT LYONNAIS

The Bank Control Commission, at its meeting of June 14, 1961, approved the accounts for the 1960 financial year, together with the Board's recommendations for the distribution of profits. The dividend allocated to holders of "Parts bénéficiaires" is fixed at NF2.- gross (equal to that paid for 1959) comprising the guaranteed minimum interest of NF0.6963 and a surplus dividend of NF1.3037.

This dividend will be payable on July 3, 1961, at NF1.76 net.

Profits for the year, after writing off sundry preliminary expenses and the constitution of reserves for doubtful debts, increased from NF9,820,783.96 to NF10,103,134.94.

The report contains a detailed review of the French economic, financial and monetary situation, and it emphasizes the excellent financial and monetary situation which prevailed, favouring the Bank's activities to such an extent that total resources increased by 20 per cent, compared with 1959.

However, in spite of the vitality and expansion of the Crédit Lyonnais in 1960, the net results show only a slight improvement, as the increase of gross receipts has been impeded by the full incidence of the reductions in interest rates and bank charges progressively applied during the previous financial year.

M. SAMUEL & CO.

PROFIT FORECAST EXCEEDED

VISCOUNT BEARSTED'S STATEMENT

The Forty-second annual general meeting of M. Samuel & Co. Limited was held on July 6th at Shell House, 55, Bishopsgate, London, E.C.

The following is the statement by the chairman, Viscount Bearsted, TD, DL, circulated with the report and accounts for the year ended March 31, 1961:

CHAIRMAN'S STATEMENT

It gives me much pleasure to welcome you to our Annual General Meeting and to present to you the Accounts for our first year as a Public Company.

In the Prospectus, your Board forecast that the profits before Taxation, but exclusive of special transactions which might arise, would be about the average of the last four years (£370,000). I am pleased to be able to tell you that, in the event, profits for 1961 exceeded those of 1960 (£495,740) as published in the Prospectus.

These results are not the outcome of an unusual number of exceptional transactions in the Parent Company, giving rise to distributable profits, but reflect the expansion of the general business of the Company, which I am glad to say is still continuing.

As was stated in the Prospectus, the pub-

ROTAPRINT LIMITED

SUBSTANTIALLY INCREASED TURNOVER

MR V. H. COUSIN ON GROWING POPULARITY OF PRODUCTS

The thirty-fourth annual general meeting of Rotaprint Limited was held on June 30th at the Company's Offices, Honeypot Lane, London, N.W.9, Mr V. H. Cousin (chairman and managing director) presiding.

The following is his circulated statement:

I am happy that I am able to present you with results for the year ended March 31st last which, in my view, are satisfactory. You will have seen that our profits, before taxation, rose from £510,026 to £565,842.

Higher taxation, regrettably, detracts from these higher profits and the comparative figures, after taking taxation into account, are not so pleasing, taxed profits for the year ended March 31, 1961, of £283,817 being only £7,601 higher than the figure of £276,216 for the previous year. The effect of this heavier taxation is unfortunate, and it is but human for me to consider with resentment the effect of the burden of taxation which is still further to be increased by a higher profits tax in the current year.

You will see that there are items other than taxation which affected the profits available for the shareholders; the increased capital investment in fixed assets during the year has called for higher depreciation and none of the realisable profits have been taken by the sale of investments.

THE YEAR'S TRADING

In the year under review, our turnover in Rotaprint machines both in home and overseas markets increased substantially over the previous year, leaving us with the not unreasonable hope

lished Accounts are not comparable with the Auditors' Report therein, since profits are shown after providing for Taxation and after making transfers to Contingencies Reserves (in the manner authorised for Banking Companies).

RESULT OF YEAR'S OPERATIONS

In reviewing the Consolidated Profit and Loss Account, you will notice a rise in the profits of M. Samuel & Co., Limited and an increase in receipts from the non-banking subsidiaries. The latter increase is, in the main, due to the fact that a large part of the capital of the Investment Subsidiary Company, Glendaruel Investments Limited, was invested for only part of last year, whereas during the whole of the year ending March 31, 1961, the Company was fully invested.

After transfers to Taxation and Contingencies Reserves, the consolidated profits available for appropriation show a figure of £197,111. The Preference dividend, less Tax, amounting to £11,944, was paid to September 30, 1960, on the Preference Capital, which has since been converted into Ordinary Capital.

Your Directors now recommend an Ordinary dividend for the year ended March 31, 1961, of 7½ per cent, less Tax, which, together with the Preference dividend, will absorb £126,788, leaving £70,323 of profits to be retained in the Company.

EXPANSION OF BANKING BUSINESS

During the year, the banking business con-

that we shall go further ahead in the current year, having regard to the ever-growing popularity of small offset lithographic machines throughout the world.

From my last report it was clear that the benefit of the extension of our premises would not be available to us during the whole of the twelve months' period ended March 31, 1961, but we are now in full production and, subject to no deterioration in present trading conditions, we should show an improvement in the current year, which has commenced well.

The motor car industry, although by no means of major importance to the prosperity of your Company, has an increasing influence on the economy of our country and now involves a large number of ancillary trades. It was noticeable during the past year that the difficulties and setbacks in the motor industry affected our order book in some measure.

In recognition of the fact that our pre-taxed profits increased by £55,816, and bearing in mind the substantial revenue reserves, your Directors feel justified in recommending a final dividend of 23½ per cent payable on July 7, 1961, on the Ordinary share capital of £540,000, making a total dividend of 37½ per cent for the year ended March 31, 1961. This compares with the previous year's dividend of 33 per cent on the smaller Ordinary share capital of £450,000.

NEW PRODUCTS

During the year we marketed a new version of the Rotaprint Model 30/90 which has proved to be very popular. It is fitted with a chain delivery which increases the scope of the machine which will now handle a greater variety of paper and card material. In the course of the current year we hope to introduce to the market a new product, namely a pre-sensitised printing plate which, in America, has already become so popular as to have almost ended the

tinued its expansion, which you will see evinced in the Balance Sheet by an increase of nearly £2,000,000 in outstanding Acceptances and of over £4,000,000 under the heading of "Current Liabilities, Provisions and other Accounts."

The Investment Company, Glendaruel Investments Limited, which holds a varied portfolio of both quoted and unquoted shares, had a most satisfactory year and the Issue Department was also very active.

During the course of the year, the Company, in partnership with the First National Bank of Boston and Messrs Tozer, Kemsley & Millbourn Limited, has formed International Factors Limited, for the purpose of assisting trade between this country, the USA, and the Continent of Europe. The business of factoring has, for many years, played a prominent part in the economy of the USA, but it is a comparatively new activity in Europe and we hope that it will be equally successful here.

DEMAND FOR ACCEPTANCE FACILITIES

The demand for Acceptance facilities continues to be very strong but, following upon the narrowing of the differential in rates between London and other financial centres and the continued weakness in Sterling, there has been a considerable falling off in the volume of foreign deposits.

I should like to end by extending, on behalf of all Shareholders, our thanks to the Executive and Staff for the amount of time and energy they have given us in the past year.

sale of some types of non-sensitised metal plates with their lesser advantages.

The popularity of the pre-sensitised plate is gaining momentum both at home and overseas and a new department will, we hope, eventually add worthwhile profits to those arising from the machines and other products of your Company.

Important development work in other directions is proceeding as fast as the increase in our production allows, and we hope to introduce other products in the not too distant future, which should be of interest and assure further progress.

DIRECTORATE

I am sorry to report that Mr Hewitt, who has worked so closely with me for twenty-five years, retired from active service with the Company on March 31st last at the age of seventy. His presence amongst us will be greatly missed by me and my colleagues. He is happy, however, to remain a Director of your Company so that we shall continue to have the benefit of his past knowledge, sound judgment and advice.

He retires today by rotation under the Company's Articles of Association, but I shall confidently seek your support for a resolution under which I shall have great pleasure in proposing his re-election.

In the last two years the pre-taxed profits of the Company have practically doubled and it would be clear from the figures in the Balance Sheet that an achievement of this kind could not be reached without very hard work on the part of our loyal staff, who are deserving of my own, my co-Directors' and your thanks in goodly measure. It is to them that I confidently look to enable me to present you with results at our next Annual General Meeting which I hope will again portray our history of continued expansion.

The report and accounts were adopted.

HAZELL SUN LTD.

MR T. R. WALKER ON RECORD RESULTS

The Seventy-seventh annual general meeting of Hazell Sun Limited will be held on July 27th at 44 Great Queen Street, London, W.C. The following is an extract from the statement by Mr T. R. Walker, the chairman, which has been circulated with the accounts to March 31, 1961:

Last year I said that only by operating our various plants near to the maximum capacity could we hope to achieve results commensurate with the amount of capital employed in the business, and that for the first three months of the year now under review the state of our order book was most encouraging.

Unfortunately the position was less satisfactory later in the year. Nevertheless our turnover was higher than ever before, although this increase was not due entirely to higher production as price increases followed new wages and hours concessions. The profit on trading, £1,182,388 (against £756,899 last year and £882,660 in 1959) was also a record.

After provision for taxation before deducting £104,500 relief from Investment Allowances (transferred to Reserves) and the proportion of profits (after tax) attributable to minority shareholders, the balance available to members is £440,098.

Of this sum £202,611 is transferred to Reserve and £237,487 is available for dividend on the Preference Shares and the recommended 12 per cent and a Bonus of 3 per cent for the year on the Ordinary and Employees Shares.

OPERATING COMPANIES

Our letterpress plants have contributed their quota to the increased turnover and additional colour rotaries have been installed. The demand for 'paper-backs' continues to grow, and further modern equipment is on order.

Book-binding has been hard pressed throughout the year. Increasing demand for all classes of books has accentuated floor space problems, particularly the increasing proportion of the larger subscription type of book. A factory has been rented in South Wales for additional storage and binding work.

In photogravure the periodicals continued to be reasonably buoyant during at least three-quarters of the year and the demand for colour continued. The development of new techniques and new plant receives constant attention.

In offset it has been a year of progress technically and otherwise, particularly with the web-fed offset presses which we pioneered in this country. The carton side of the business continues to develop satisfactorily.

THE OUTLOOK

It is especially difficult this year to forecast the future. For the first three months of the current year there has been no marked falling off in orders in our Letterpress, Bookbinding and Offset Divisions but unfortunately the same cannot be said about Photogravure. During recent months conditions in the periodical field have changed. Circulations have fallen, particularly those of the popular women's weeklies,

COMPANY MEETING REPORTS

and mergers of journals have been announced. One of the merged journals is a product of our presses, and this loss, together with other casualties, is a matter of grave concern to your Directors.

The closing down of periodicals is no new experience; it has happened on several occasions during recent years, and in the course of time we have been successful in replacing the lost turnover.

Production costs however have increased very considerably in the last three or four years and the contraction of demand will inevitably lead to still greater competition. Management and staff will accept these new conditions as a serious challenge, and strenuous efforts are already being made to fill the gap that will arise in our production schedules in the early autumn.

Looking ahead, it would seem certain that our turnover will fall this year and a drop in profits must be expected.

STOLL THEATRES CORPORATION LIMITED

DIRECTORS:

PRINCE LITTLER, C.B.E. (Chairman and Managing Director)
T. FLEMING BIRCH, F.C.A.
STEWART CRUIKSHANK
EMILE LITTLER
S. H. NEWSOME, J.P.
OSWALD L. STOLL
P. J. P. DONALD
D. M. LEAPMAN

SUBSIDIARY COMPANIES:

Moss' Empires Limited
Winter Gardens Morecambe Limited
Potteries Theatres Limited
Prince Littler Productions Limited
Brunskill & Loveday Limited
Roadshows Limited
Associated Theatre Properties (London) Limited

Theatre Properties (South) Limited
Apollo Theatre Company Limited
H. M. & S. Limited
Theatre Royal Drury Lane Limited
Globe & Queen's Theatres (London) Limited

Associated Catering Company Limited
Theatrical & General Advertising Company Limited
Theatrical Investments Limited
Cardinal Productions Limited
General Building and Theatre Equipment Limited

ASSOCIATED COMPANIES:

S. J. & L. Limited
Lyric Theatrical Company Limited

CAPITAL:

	Authorised	Issued
Ordinary Stock	£1,601,934	£1,601,934
Management Stock	£80,000	£80,000
Ordinary Shares of 4/- each	£508,066	—
	£2,190,000	£1,681,934
Consolidated Trading Profit	£536,355	
Net Trading Profit after taxation	£311,930	
Dividend for Year to December 31, 1960 on the Ordinary and Management Stock, 10% Distribution out of Capital Reserves on the Ordinary and Management Stock, 2½% (Not liable to Tax).		

The Report and Accounts were adopted and the Dividends were approved.

The retiring Directors, Mr Emile Littler, Mr S. H. Newsome and Mr D. M. Leapman, were re-elected, and the remuneration of the Auditors, Messrs Allan, Charlesworth & Company, was approved.

THE ECONOMIST JULY 8, 1961

THE MORGAN CRUCIBLE COMPANY LIMITED

A CONSIDERABLE TRADING ACHIEVEMENT

The twenty-seventh annual general meeting of The Morgan Crucible Company Limited will be held on July 27th at Battersea Works, Battersea Church Road, London S.W.11.

The following is an extract from the Review by Mr A. L. Stock (the Chairman) which has been circulated with the Report and Accounts:

The Group Profit before tax but after loan interest is £2,235,815 compared with £2,043,417 last year. The increase in the surplus of income over expenditure at £192,000 compares with the preceding year's rise of £323,000.

The increase in sales is 9 per cent as opposed to 17½ per cent in the previous year. Whilst overseas sales have risen in total value their percentage to total sales has dropped from 45 per cent to 43 per cent.

Though pressure on trading profit has been felt in some units of the Group, the profit rate for the Group as a whole is the same as in the preceding year. The steady influence of a wide range of products sold in many countries made possible this considerable achievement.

Earnings before tax on Capital Employed have increased slightly to 14.1 per cent as against 13.5 per cent in 1959/60.

It is proposed to pay a Final Dividend on the Ordinary Capital of 9 per cent less tax which, together with the Interim payment of 5 per cent, gives a total of 14 per cent for the year against 13 per cent for the previous year.

TRADING RESULTS

Parent Company.—Trading results continued satisfactory in both the Electrical and Mechanical Carbon Departments, although export delivery dates were adversely affected by the high demands from the home market in the earlier part of the year.

The Crucible Department also made good progress both at home and overseas.

Home Subsidiaries.—Amongst the home subsidiaries the greatest progress was made by Morgan Refractories Ltd., whose results confirm the faith of those who launched this project with the aid of a £1,000,000 loan ten years ago.

The other principal subsidiaries do not call for special comment but have had a year of satisfactory progress.

Overseas Subsidiaries.—The general depression in business throughout North America had its effect on Morganite Canada Ltd., though not to the same extent as on Morganite Inc., New York.

Our other overseas companies held their own in the more competitive international conditions.

PROSPECTS

While the review of the accounts gives some indication of the future, it is predominantly concerned with the results of the past year, which was one of steady progress.

Despite the inroads of the additional 2½ per cent Profits Tax arising from the 1961 Budget and the additional tax on oil, but ignoring the threat of a Payroll Tax, it is expected that this year profits will reach last year's level even though the new subsidiaries will have only a nine months' financial year.

THE ECONOMIST JULY 8, 1961

THE ARTIZANS' & GENERAL PROPERTIES

SATISFACTORY PROGRESS AT HOME AND OVERSEAS

The ninety-fourth annual general meeting of The Artizans' & General Properties Company, Limited was held on July 5th in London, Brigadier Sir Richard A-G. Calthorpe, Bt, CBE (the chairman), presiding.

The following is an extract from his circulated statement:

At home, sales of some older properties have continued and the money realised, together with new capital now represented by the £1,750,000 5½ per cent Debentures raised in 1960, is being reinvested in the development of new office, shop, industrial and residential properties and in modernisation. Developments for sale are being undertaken in London and Birmingham by our subsidiaries Pinner Properties, Vista Flats and Vista Developments; in many cases these developments also create a very satisfactory ground rent investment for the parent company.

The active investment market for modern commercial properties continues to emphasise the long term benefits which can accrue from the development of well chosen sites; competition for sites is therefore keen and prices continue to rise. Delays arising in obtaining planning permission and shortages of building materials or labour become increasingly significant.

During 1960 construction was completed or put in hand of the following new developments, many of which had been let or sold prior to completion: 183 houses and 97 flats in London and Birmingham; 2 factories at Bedford and 3 office blocks in London, Watford and Birmingham.

In America, the Terminal Tower Company of Cleveland, Ohio, in which we hold half the issued Common Stock, has had a successful year of operations.

In Canada, Artagen Properties Investments has acquired two modern office properties in Hamilton, Ontario, to show a satisfactory return.

Pancoast Properties Developments still holds 160 acres of land at Calgary and has participated to its advantage in the purchase and resale of a

BERTHIEZ S.A.

The Ordinary General Meeting of Shareholders met on June 23rd at the Registered Office, 5 rue Montalivet, to approve the results of the year ended December 31, 1960.

The accounts presented to the Meeting show a net profit of NF679,631 against NF397,993 in 1959. This profit was reached after allowing NF497,921 for stock in hand as against NF350,000 in 1959, and NF1,058,162 for amortisation against NF726,317 for the preceding year.

The Meeting approved payment on October 10, 1961, of a coupon of NF10 gross per NF50 (nominal) share. It should be noted that this dividend, the same as that paid the year before, applies to 60,000 shares, as opposed to 36,000 shares, as the result of the increase in capital in 1960.

COMPANY MEETING REPORTS

Vancouver property in conjunction with our Canadian Associates.

POLICY OF REDEPLOYMENT AND EXPANSION

I commented last year upon the stable character of the Group's rental income; while some further measure of increase may be looked for from rents of properties which are still within the provisions of the Rent Acts, the main expansion of the Group's rental income must now rest upon modernisation and the completion of new developments. It is in this direction that we are concentrating our attention, but under a policy of redeployment and expansion it is inevitable that some capital must be unproductive while developments fructify. At December 31, 1960, about £1,250,000 of the Group's resources were so employed on current projects. In the light of this the accounts submitted exemplify the strength of the Group's position.

Earnings before interest and taxation have again increased. Trading income for the Group including income from investments was £709,964 as compared with £649,080 for 1959.

Gross profits from property sales and developments for sale undertaken in London and Birmingham by Pinner Properties and Vista Flats aggregated £153,000 as compared with £70,000 for 1959.

The capital surplus arising from the sale of properties by the parent Company amounted to £147,000 as compared with £87,000 for 1959 and has been credited to Capital Reserves, which now stand at £2,351,224.

Interest charges absorbed £73,000 as compared with £8,000 for 1959. The taxation charge is up by £30,000 at £333,000. Profits tax was increased last year by 2½ per cent. This approximates to £16,000 in a full year. A further increase of 2½ per cent is proposed this year: this can but have an effect, as is no doubt intended, on the amount of cash available for net dividends.

An interim dividend at the rate of 5½ per cent on the issued Ordinary Share Capital was paid in September, 1960, and the Directors now propose a final dividend of 7 per cent.

Addressing the meeting, the chairman said that Melton House, Watford, a nine-storey office block of 58,000 sq. ft., had been let to British Railways Midland Region, and an office block of 41,000 sq. ft. in Hagley Road, Birmingham, for which the building contract had recently started, had also been let—both in their entirety and on satisfactory terms.

The report and accounts were adopted.

The Report of the Board brings out the importance of the order book at the end of the year 1960. Seventy per cent of the orders are for export to Germany, Austria, Belgium, Spain, Roumania, Sweden, Czechoslovakia, Australia, Argentina, Canada and Japan.

It also underlines the success of the Company in increasing its manufacturing potential by the purchase of NF1,270,000 worth of new machinery and buildings at Givors, and of a new construction shop as an extension of the existing shops.

The Company in addition has continued the study of new types of machine using the most modern techniques of automation, by electronic processes, or by perforated tape.

The Meeting confirmed the retirement of M. Wilz from his position as Director and called to a seat on the Board M. Y. Pellet, Director of the Société Fives Lille Cail.

DE WENDEL & CIE

SOCIÉTÉ ANONYME PARIS

(Iron and Steel)

The Annual General Meeting of DE WENDEL & CIE, S.A. was held in Paris on May 19 with Monsieur le Comte Emmanuel de Mitry in the Chair. The following is a summary of the report presented by the Board of Directors:

REVIEW

Output and sales of DE WENDEL & CIE, S.A. rose once again and production figures comprised 6,963,262 tons of iron ore; 2,292,811 tons of pig iron; 2,703,649 tons of processed steel (including the share of DE WENDEL & CIE, S.A. in the tonnage processed by Société Lorraine de Laminage Continu "SOLLAC").

Deliveries of finished and semi-finished products amounted to 2,031,965 tons and turnover for the year amounted to NF 1,620,897,167.02, including all taxes.

INVESTMENTS

During 1960 the level of investments rose once again to reach NF 141,268,668.16, and this sum was spent on new projects which included:

- commencement of work on a second ore-sintering plant;
- the completion of the modernisation of a blast furnace;
- the construction of the first unit of a new battery of modern blast furnaces;
- the installation of finishing equipment for rails and of a rolling mill for joists.

The investment programme will be continued in the coming years with the erection of ore-crushing and screening installations and an ore-sintering plant, the building of a new blast furnace and of a high capacity steel plant, and the expansion of rail and port facilities.

SUBSIDIARIES

All the subsidiaries and affiliated companies of DE WENDEL & CIE, S.A. are also continuing their expansion. This applies particularly to Société Lorraine de Laminage Continu "SOLLAC" which, in 1960, produced 1,683,000 tons of steel and rolled 2,023,000 tons of hot rolled strip. A third cold rolling mill with a capacity of 800,000 tons will shortly complete the SOLLAC plant.

PROFIT AND DIVIDEND

After provisions for depreciation amounting to NF195,093,624.31, net profit for the year amounted to NF14,118,370.70. It is accordingly proposed to distribute a gross dividend of 8 per cent, equivalent to NF4 per share.

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

CAPITAL

At an Extraordinary General Meeting held immediately after the Annual General Meeting, the Board of Directors was authorised to increase the capital from NF150m to NF250m, half of the increase to be realised by the capitalisation of reserves and the remainder by the issue of new shares for cash. The Board decided to proceed with the increase immediately, and the issue will be made very shortly.

COMPANY AFFAIRS

Associated Portland Cement

At the height of the May boom, building material shares were overvalued. Prices have tumbled sharply since and are currently offering yields less thin and uninviting than they were. Associated Portland Cement, which touched 96s. 9d. earlier this year, are now 77s. 10½d. and yield just over 3 per cent, covered 2½ times by earnings. This yield assumes that after the one-for-two scrip issue the 1960 dividend will be scaled down to the odd amount of 8½ per cent. If, on the other hand, the 1961 dividend were put up to 10 per cent, the yield would be 3½ per cent.

A dividend of 10 per cent indeed seems possible, for this year—and perhaps 1962 also—is likely to produce better results for APC than did 1960, when the group's home deliveries rose by just over 5 per cent and its share of the market declined fractionally. Already this year home deliveries have risen by nearly 10 per cent. The rise in cement prices has restored margins eroded by rises in wages and fuel prices. Export sales did reasonably well last year but they will be reduced this year and so make a smaller contribution to profits—the main exporting

Years to Dec. 31	1958	1959	1960
Fixed assets.....	£'000s 49,519	£'000s 52,147	£'000s 62,766†
Trade & other investments	4,671	5,155	7,650
Net current assets	22,995	24,789	20,300
Cash	9,604	14,127	10,177
Net equity assets	56,129	61,721	72,080
Trading profit	15,070	15,287	15,940
Investment income	457	677	734
Depreciation	4,795	4,520	5,072
Profit before tax	10,468	11,182	11,432
Tax	5,875	5,592	5,740
Net profit	3,954	4,993	5,170
Ordinary dividend	1,202	2,020	2,076

Ordinary dividend..... 9.6% 11.0% 12.5%
Net profit/net equity assets 7.1 8.1 7.2

* Adjusted for scrip issue. † Fixed assets revalued.

kilns, it seems, are fired by fuel oil on which the budget imposed a duty. Some cement from these kilns can be re-directed to the home trade even though the works are not ideally sited for serving the domestic market. Because of transport costs, cement so diverted will earn a lower margin than normal home deliveries but a higher one than could be earned in export markets. Last year home sales of cement, aggregates and cement products produced nearly 65 per cent of the gross profit and exports about 10 per cent, with the remainder coming from investments and works sited abroad. In 1959, sales at home produced nearly 70 per cent of the gross profit and exports about 7 per cent; this 1959 pattern may recur this year, and with a higher tonnage sold than then.

The directors of APC appear to be satisfied that the demand for cement and asso-

ciated products will remain buoyant for they have revised the three years capital programme to add 1½ million tons per annum to capacity instead of the 1 million tons originally planned. In all, this programme will cost about £20 million, but some money has already been spent and some new capacity is already being used. The extensions can therefore be financed from the cash flow without putting a brake on distributions to ordinary shareholders.

Beecham Group

THE Beecham Group is beginning to reap the benefit of the substantial sums spent on promoting and developing overseas markets. In the year to March 31st last the trading profits in the home market rose only fractionally, from £6,041,000 to £6,093,000; but earnings overseas jumped by 26 per cent, from £1,802,000 to £2,270,000, and contributed ninety per cent of the total increase in trading profits from £7,843,000 to £8,364,000.

At home, soft drink sales fell in a poor summer. The company also faced fiercer competition in toilet products and, as the table shows, margins again fell. The chairman, Mr H. G. Lazell, points out that some of the decline in margins can be attributed to the considerable proportion of sales now represented by soft drinks and confectionery, following the acquisition of the Corona soft drink business in 1958 and the Pascall confectionery business a year later. Though they have fallen, profit margins at home are still much higher than those earned abroad, where the cost of launching new products is heavy. Only in the current financial year do the directors expect to earn a "normal rate of profit" on sales of Brylcreem in the United States, where it is now firmly established as the biggest selling hairdressing product; but not a little of this profit will go to support the launching of Silvikrin Shampoo in that market.

Last year total advertising expenditure rose by another £1 million and spending on research by £150,000 to £750,000, half of it being devoted to basic pharmaceutical research.

PROFIT MARGINS					
Years to Mar. 31	1957	1958	1959	1960	1961
Trading profit/sales:					
Home trade.....	17.4	19.4	18.4	17.5	16.4
Overseas trade...	12.3	14.6	12.7	11.7	11.8
Total.....	15.6	17.8	16.7	15.7	14.8
Trading profit/avge. capital employed	19.0	24.0	21.7	21.3	21.6

Mr Lazell says that several new penicillins are being developed which "will revolutionise the antibiotic treatment of disease."

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With the new plant at Worthing now producing the Beecham penicillins and fine chemicals, royalties are increasing and should make a useful contribution to profits this year. But heavy sums are being spent on advertising both at home and overseas and it is perhaps hot weather and improved soft drink sales that will provide higher profits this year. Further ahead, shareholders will expect the current costs of promotion to produce bigger sales. The market's assessment of the group's growth prospects is reflected in the yield of 9d. per cent offered by the 5s. shares at 49s. 9d. on a 30 per cent dividend, twice covered.

Albert E. Reed

THE year which ended on March 31st was one of transition for the Reed Paper Group. By acquiring 96 per cent of the stock of the Anglo-Canadian Pulp and Paper Mills it has taken a big step towards becoming an international group; it has also set up a wholly-owned Australian subsidiary. The group has thus become less dependent upon the British market, but its interests here still bulk very large.

At home, the chairman, Lord Cornwallis, says that competition in the papermaking and converting industry is intense. Rising costs of fuel as well as higher wages have

Years to March 31	1959	1960	1961
Sales.....	£'000s 66,234	£'000s 73,996	£'000s 87,667
Trading profits.....	6,001	6,958	9,103
Depreciation.....	1,723	1,804	2,512
Taxation.....	1,762	1,860	2,800
Net profit.....	2,515	3,293	3,790
Ordinary dividend.....	1	1	1
Trading profit/sales.....	9.1	9.4	10.4
Net profit/sales.....	3.8	4.5	4.3

squeezed profits and a fall in demand by manufacturers supplying the consumer durables market has forced prices down. In addition, home paper manufacturers are beginning to feel the effects of the EFTA tariff cuts: the first of these came last July which resulted in a reduction in the price of Scandinavian paper products in the British market. Lord Cornwallis says that this substantially reduced profit margins, particularly towards the end of the financial year. As tariffs were cut further at the beginning of this month, it may be that the worst is still to come.

The effect of competition on profits is masked only slightly by the acquisition of the Canadian subsidiary, three months of whose profits are included in the accounts. The effect on the balance sheet is clearer; liquid assets of nearly £4½ million have been reduced to £1½ million and a bank overdraft of over £2 million has appeared. This gives the group a net overdraft of £831,000 and at the year-end capital commitments amounted to £3,674,000, against £1,432,000. The need, therefore, to conserve resources at a time when profits are under pressure helps to explain why the £1 ordinary shares at 45s. 6d. yield as much as 7 per cent on the unchanged dividend of 16 per cent.

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Bankers' Half-Year

So far 1961 has plainly been profitable for the banks. Interest rates have remained relatively high and advances have continued to rise, to almost one-half of deposits. Average advances outstanding in the first six months were 11 per cent more than a year before. But general economic uncertainties have recently dampened enthusiasm for bank shares, which up to May had been among the leaders in the rising equity market. Since then they have fallen sharply and the foreshadowed rights issue by Barclays on Thursday produced a further fall—in marked contrast to the effect of the Midland rights issue of last April.

Both Barclays and the Westminster have increased their interims. But in both cases they are exactly half of last year's total, and the market is not counting on a rise in the totals for 1961. Barclays is paying 6½ per cent, an increase of ½ per cent. Westminster's total last year was 2s. 8d. per share and it is now paying 1s. 4d.—an increase of 3d.

Martins, which paid 7 per cent and 8 per cent last year, is again paying an interim of 7 per cent. The Royal Bank of Scotland has raised its previous interim by ½ per cent to 9 per cent, and the market hopes that this will be followed by a final of 11 per cent to make 20 per cent for the year against last year's 18½ per cent.

Hawker Siddeley

THE statement by the chairman of Hawker Siddeley, Sir Thomas Sopwith, at the annual meeting of the group painted an intricate picture of the group's wide-ranging activities. The addition of Blackburn, de Havilland and Folland to the group makes any worthwhile comparison of profits practically impossible and in any case the latest accounts cover a seventeen-month period. The group has several promising commercial aircraft either in production or nearly ready to be produced but their financial success will depend largely on winning foreign orders. The Argosy freighter seems well set, having won orders from the RAF and an American operator. But over £15 million has been written off for design and development of civil aircraft, the AWA Argosy, the Avro 748 and the new de Havilland Trident; this seems to be a big sum for basically conventional aircraft, and shareholders must hope it will not recur in the current year. This heavy charge is over half the trading profit for the period and almost double the net profit of the British group.

The overdrafts of the British group have risen to £22.4 million, which is the same level they reached in 1958 before the £15 million issue of convertible debentures. This was no doubt aggravated by the acquisition of de Havilland, whose overdrafts totalled £7.7 million at the time of the last balance sheet in September, 1959. However, the overdrafts of the group's Canadian interests have been reduced from

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£10½ million in 1958 to less than £2 million mainly as a result of the sale of the group's holding in Algoma Steel.

The industrial side, which now produces 35 per cent of the group's sales, did well in 1959-60. Diesel engines and locomotives sold well and both sales and profits increased. The future for the group's profits is difficult to predict. There may be some improvement in the profits of the Canadian subsidiary, which made a net loss of £262,000 in the 17 months. The development charges should be lighter and this may enable bank overdrafts to be reduced if profits are maintained. A record order book of £366 million at the beginning of this year suggests that the group could do well; this compares with a turnover of £458 million in the previous 17 months. The virtual certainty that Blue Streak will be rescued from limbo now that Germany has joined the European space club puts Hawker Siddeley back into the front line of the rocket business with the likelihood of a foothold in space. But the ultimate well-being of the group depends on winning further orders for earth-bound equipment, especially in the highly competitive international aircraft business. At 29s. 6d. the £1 ordinary shares yield 7.2 per cent on the dividend of 10.6 per cent.

De La Rue

By far the biggest of De La Rue's three principal subsidiaries is Formica, in which American Cyanamid has a 40 per cent interest. Largely as a result of the setback in the furniture trade following the re-imposition of credit restrictions its profits fell back in the year to April 1st by 15 per cent from £1,787,000 to £1,507,000. Shareholders will no doubt be pleased that this sharp fall in profits has been more than made good on the printing and banknote side (where Thomas De La Rue reported a jump in profits of 83 per cent, from £321,000 to £588,000) and on

gas and oil fired heaters (where, despite increased competition and credit restrictions, Thomas Potterton raised its profits from £257,000 to £352,000).

There are some signs of an improvement in the demand for Formica products and this together with the introduction of new materials could well set the profits of the De La Rue group moving ahead again. The chairman, Mr B. C. Westall, expects a further decline in profit margins, which fell last year from 13.4 to 12.3 per cent, but he expects this to be more than offset by higher sales.

Investment in plant and machinery last year amounted to £2½ million and working capital absorbed a further £800,000; although the cash flow amounted to almost £1 million, net liquid assets have been reduced from £1,700,000 to only £55,000. It is not surprising that with capital commitments of £400,000 (and these do not take into account schemes under negotiation) the directors are considering the most advantageous way of raising new capital. Just over £1 million was raised by a rights issue two years ago and prior charges so far amount to only £500,000 in a 3½ per cent preference stock. The stock market, however, is expecting another rights issue; the 10s. shares at 55s. stand at their low point of the year to yield 4.1 per cent on the dividend of 22½ per cent maintained on the capital as increased by a one for four scrip issue.

Over the past two years the directors have done much to encourage shareholders to take a greater interest. Board meetings have been held in a number of cities to which shareholders have been invited to meet the directors. This year the annual meeting is to be held in London at the unusual time of 5 p.m. in the hope that more than the usual fifty of the 9,000 shareholders will be able to attend. The chairman has invited shareholders who cannot attend personally to send in questions.

House of Fraser

A CHANGE in House of Fraser's bankers from the National Commercial Bank of Scotland to the Midland Bank sparked off fresh rumours this week that the House of Fraser was intending to make a bid for Debenhams. While Sir Hugh Fraser denies having any fresh bids in mind at the moment shareholders will surely hope that at the annual meeting he will give the reasons why the bankers have been changed. A year ago the accounts showed a loan of £10 million from the National Commercial Bank (of which until last month Sir Hugh was a director) and this had been instrumental in financing the Harrods take-over.

As expected the latest accounts to January 31, 1961, show that this loan has been almost entirely repaid and at that date the bank overdraft amounted to only £817,000. Funding has been made possible through the sale of some of Harrods' properties (which have then been leased back). As

a result of the sales, which reduced freehold and leasehold properties in Harrods' balance sheet from £21.6 million to £14.1 million, both Harrods' and the House of Fraser's balance sheets showed "premiums receivable" of £7½ million arising from the new leases. Harrods has lent £9.1 million to House of Fraser; this is balanced in part by a rise of £3 million in the debentures and mortgages of Harrods' subsidiaries and by the replacement of a cash balance of £766,000 by a net overdraft of £827,000. Harrods' capital reserves have been increased by just over £3 million arising from a "surplus on premiums receivable and sales of property." Shareholders will be forgiven for feeling baffled at these financial intricacies. Sir Hugh should tell them plainly what they mean and what effect they may have upon the rents the group will have to pay.

The two major subsidiaries, Harrods and John Barker, both earned higher profits last

year and contributed £330,000 to the increase of £539,000 in the House of Fraser's trading profit from £5,892,000 to £6,431,000. Moreover their contribution to the increase in net profits amounted to over two-thirds, following the substantial rise in the charge for interest in House of Fraser's accounts from £336,000 to £762,000. Presumably with the virtual elimination of the bank overdraft this charge will be reduced in the current year.

Sir Hugh says that the past year has been one of consolidation and internal reconstruction but he warns shareholders that it will be some time before the full benefits of the capital programme emerge. The new Birmingham store operated by a Harrods' subsidiary was opened last November a few months after fire had destroyed the store of another subsidiary, William Henderson. The rebuilding of this store should be completed next year but no profit from it was included in the accounts. The current year has opened with another rise in sales. In creating the shares for a one-for-two scrip issue the directors propose to leave a balance of £1½ million of unissued ordinary stock but they say that they are not at the moment considering issuing any of these shares. On a 45 per cent dividend, covered 1½ times, the 5s. shares at 53s. 3d. yield just over 4 per cent.

British Plaster Board

THIS is another company likely to be coming to the market for new money before long. Its chairman, Sir Graham Hayman, hints that this may take the form of a debenture issue. At the moment the company has adequate overdraft facilities with its bankers; at the end of March the group's net overdraft amounted to £517,000, against an earlier cash surplus of £737,000, but its holdings of investments, largely gilt-edged securities, were virtually unchanged at £244,000. While capital expenditure of £2.3 million was almost matched by a cash flow of £2 million, the group's working capital rose by £1½ million. At the end of March capital commitments stood at £1½ million; whether that included the £500,000

Volkswagen

VOLKSWAGEN is the biggest of the European motor producers. Last year it made 724,000 cars and 139,000 commercial vehicles, all of the same basic model. Last year 30 per cent more VWs were sold in western Germany than in 1959 and they accounted for 34.3 per cent of the market, against 31.5 per cent. In the United States, sales of the VW have continued to rise while the sales of other imported cars have fallen; in 1960 VWs represented 31 per cent of imported car sales in the United States and this year the percentage share is likely to be over 40 per cent. The directors say that the sales prospects are still good but they warn shareholders that the effects of the mark revaluation cannot be determined until the

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paid in May for an interest in Australian Gypsum is not clear.

Consolidated profits were little changed at £3,194,000, against £3,170,000, and after tax net profits were £20,000 lower at £1,455,000. Despite the reduction in plasterboard prices in this country last November, the companies at home earned higher profits; these were offset by lower profits in Canada, though a recent increase in house building in Canada has led to an improvement in demand. Sir Graham is concerned about lower profit margins in this country, but he expects new projects to make a contribution to profits this year and with the continuing high level of activity in the building trades he looks forward to "satisfactory results." On the maintained dividend of 11½ per cent, covered 2½ times, the 10s. shares at 22s. 3d. yield 5 per cent.

Fine Spinners

UNDER the current agreement with Commonwealth producers, exports of cotton yarn to the United Kingdom are not restricted. But the government's proposals for extending the agreement with Hongkong have a particular significance for Fine Spinners, which is one of the biggest yarn manufacturers. If imports of yarn into Britain increase sharply, the government proposes to impose quotas. Read in the light of the government's sudden intervention in the dispute between Lancashire and Hongkong, the review by Mr W. T. Winterbottom, the chairman of Fine Spinners, accompanying the full accounts for the year to March 31st becomes quite encouraging. Mr Winterbottom believes that once the problem of imports is settled, order books, which have shrunk, will soon be restored to a healthy level. The group has already shown its confidence by raising the ordinary dividend by 2½ per cent to 15 per cent, the highest level since the war, even though dividend payments had actually exceeded equity earnings since the boom years of 1951-52.

By any standard, Fine Spinners has had an exceptionally good year; trading profits rose from £1,822,000 to £2,682,000, and although depreciation rose by £119,000 to £693,000 and tax by £287,000 to £871,000,

end of the year. Dr Nordhoff, in his address to shareholders last week, spoke of the increase in competition and the reduction in profits that would result from the increase in the German motor industry's capacity. Volkswagen had already had its margins cut by increased costs and it might now have to raise prices.

The new 1½ litre VW that is being introduced next September is the first step to a change in the present model; though Dr Nordhoff said that the existing car will remain the basis of production for many years. At some date it will have to be replaced. This will be the testing time for the company, which has been founded on a design that it inherited.

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net profits rose from £624,000 to £1,094,000. Fine Spinners increased its output of single yarn despite the scrapping of 57 per cent of its machinery, and apparently maintained its production of doubled yarn fairly successfully after scrapping 65 per cent of its capacity. In the financial year, the group spent £1,331,000 on re-equipment and had capital commitments of £324,000 at the end of March. Compensation received for scrapped machinery amounted to £1,127,000.

The recovery in profits last year understated the extent of the improvement in the group's home market. Cotton growing and livestock farming in the United States was less profitable and comparatively low profit margins in France limited the improvement reported by the group's French mills. Fine Spinners is the largest producer of yarns made entirely from man-made fibres in Britain, and has integrated the production of high-quality goods right through from raw cotton to the finished article. The group is also financially strong, holding net liquid assets of £1 million, and it should continue to do well while the cotton industry prospers in Lancashire. The £1 shares at 25s. 6d. yield 11.8 per cent.

Rediffusion

THE overseas revenue of Rediffusion rose to over £6 million last year and profits from this source helped the company to escape comparatively lightly from the effects of credit restrictions on the sale of television sets in this country. But over one-third of the increase of 11 per cent in consolidated profits came from trade investments—that is, bigger dividends from Associated-Rediffusion.

For the current year the chairman of Rediffusion, Mr J. Spencer Wills, does not expect much more than unchanged profits. In the longer term he believes that the company's system of wired networks is capable of carrying colour television signals and also particularly suitable for the development of subscription television. In this field the company has now entered into a long term agreement with the Rank Organisation.

Like most companies in relay television Rediffusion has spent heavily on capital in recent years. Despite an injection of £4.3 million from a rights issue last November, net cash assets by the end of March were no higher than £1.8 million while net fixed assets rose by £3.6 million in the year. The new shares resulting from the issue did not rank for dividends in 1960-61. In all the tax-free dividend was raised from 20 to 24 per cent and the 5s. shares at 39s. 7½d. yield 5 per cent.

Renold Chains

THE year to April 2, 1961, opened well for Renold Chains; its order book was strong; it had just completed a highly successful year which brought out the benefits of extensive modernisation and re-equipment between 1956 and 1959 and a

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rise of 60 per cent in profits. Further improvement in the past year is marked by a rise in trading profits of 13½ per cent, from £2,508,000 to £2,854,000. Depreciation costs slightly more and taxation is up from £887,000 to £1,125,000, leaving net profits 10 per cent higher at £1,019,000 against £927,000.

The group has a wide range of products, which include chains for conveyors and motor cars as well as power transmission equipment; it has several manufacturing and selling subsidiaries abroad whose profits appear to have risen faster than profits earned at home. The directors have played safe in maintaining the ordinary dividend at 10 per cent, on which the cover has risen to just over twice; at 41s. 3d. the £1 shares yield 4.9 per cent.

Land Securities

IT seemed clear from the big development programme recently outlined by Mr Harold Samuel that Land Securities would have to get more new money; and it is no surprise that Land Securities' link with the Legal and General Assurance is now to be further strengthened. Over the course of two or three years this should bring about £17½ million into the property company. Legal and General has already subscribed £6 million in a 6½ per cent convertible debenture and has the right to subscribe for up to 1½ million ordinary shares. Now it has agreed to take up £15 million of a debenture, to be issued effectively at 99, at a similar rate of interest. It will make an initial advance of £3 million and subscribe a maximum of £6 million in any one year up to June 30, 1964.

This new debenture is not strictly convertible but it gives Legal and General the right to subscribe for a further 1½ million ordinary shares at 30s. per share; this compares with the current price of 31s. 9d. Thus if Legal and General exercises all its conversion and subscription rights it will hold 3 million 10s. shares, or 10 per cent of the bigger and more highly geared capital.

Trust Houses

PERHAPS the most impressive point in Sir Geoffrey Crowther's statement to shareholders of Trust Houses is the size and scope of the company's development programme. Last year Trust Houses acquired the Shelbourne Hotel in Dublin and at the close of the financial year it opened the Dragon Hotel in Swansea. In August the Hertford Hotel will be opened, giving Trust Houses its third London hotel, while plans are in hand for a fourth. In Winchester and just outside Sheffield new hotels are also planned. These are in addition to a programme of extensions to existing hotels, where the plan is to add over 700 bedrooms and 800 private bathrooms.

This capital programme is expected to cost over £2 million in the next four years.

COMPANY AFFAIRS

This compares with a cash balance of £2.3 million, reflecting the £1 million raised last January by the rights issue. As then forecast, the ordinary dividend has been maintained at 12½ per cent on an increased capital. Net profits for the year to March 31st rose from £298,000 to £323,000, to cover the ordinary dividend just under 1½ times, but profits do not include a full year's earnings from Shelbourne Hotel (which before tax are estimated at £80,000) nor a full year's earnings on the money raised by the rights issue. If they did, Sir Geoffrey estimates the cover would be 1½ times.

To keep to the forefront in the hotel business, Trust Houses may well have to come to the market again and benefits may accrue to shareholders through their participation in new issues on favourable terms rather than through big increases in the ordinary dividend rate (this, in any case, is limited to 20 per cent). It will clearly be some years before the new hotels produce a satisfactory return on the money invested. At 69s. the £1 shares are 13s. below their 1961 peak but still yield no more than 3.6 per cent.

Aspro-Nicholas

ASPRO-NICHOLAS added to its sales of pharmaceuticals, household products and toilet requisites in the year to March 31st and its total turnover rose by 15 per cent. Gross profits did not quite match this, rising by 12½ per cent from £1 million to £1,128,000. The tax charge rose steeply so that net profits in fact fell back from £446,000 to £412,000. These profits were disappointing, for the directors had been hoping for gross profits of £1½ million after the acquisition of Griffiths Hughes.

The principal reason for the disappointing results was the loss incurred by a new North American subsidiary whose sales of veterinary products failed to come up to expectations. At home there were several weak spots as well. The veterinary and pharmaceutical activities yielded a low return on capital invested. Integration with Griffiths Hughes had its own costs and though the chairman, Mr Maurice Nicholas, says that greater efficiency and bigger output have helped to offset the rise in prime costs a further increase in advertising both at home and abroad has put some pressure on margins.

The reorganisation following the merger has had its effect on the balance sheet. Though an issue of 6½ per cent debenture raised £2 million, the bank overdraft still amounts to nearly £1 million. The chairman has little to say about future prospects but clearly economies of integration must be fully exploited if rising costs are to be contained. The dividend of 14 per cent represents a small increase over the previous year's equivalent payment of 13½ per cent but the shares issued in the acquisition of Griffiths Hughes did not rank for the earlier payment. It is covered 1.4 times and the 5s. shares at 17s. 3d. yield 4.1 per cent.

London Stock Exchange

FIRST DEALINGS:	June 12	June 26	July 10
LAST DEALINGS:	June 23	July 7	July 21
ACCOUNT DAY:	July 4	July 18	Aug. 1

EQUITY prices, having held reasonably steady before the week-end, fell very sharply this week. Economic uncertainties still clouded the market and another statement from the Chancellor contributed to the gloom. The volume of selling, however, was not heavy as the jobbers were quick to mark prices down. The extent of the falls after the week-end is shown by *The Economist* indicator, which lost 15.2 points to 368.0, its heaviest fall this year—taking it back to the levels at the end of January. Immediately after the week-end there was some investment buying of medium dated stocks, but this was overshadowed on Tuesday by the effects of the June figures for gold and convertible currency reserves, which fell more than the market expected, and by the Chancellor's statement the following day. Over the week, however, the *Financial Times* index of government security prices showed only a small net fall. Short and medium dated stocks held steady and the fall in the irredeemables was halted: 3½ per cent War Loan gained ½ to 53½, despite a fall on Wednesday.

Among bank shares Barclays lost 5s. 9d. to 76s. 9d. and Lloyds 5s. 6d. to 63s. 3d. The news of substantial hire purchase losses led to a fall in Bowmaker from 19s. 4½d. to 16s. 7½d. Insurance shares were also rather depressed, Pearl losing 10s. to 210s. and Legal and General ½ to 32½. The news that the Chancellor did not intend to restrict building was not enough to prevent net falls in building shares; Associated Portland lost 2s. 3d. to 75s. 6d. Among brewery shares Courage Barclay were down on the results and J. and R. Tennent lost 2s. 6d. to 36s. on the news of the rights issue. Debenhams failed to hold their gains after Sir Hugh Fraser denied rumours of a bid and they lost 4s. 7½d. to 59s. 1½d. Shipbuilding shares were depressed by the forecast from Richardsons Westgarth of a substantial loss in the current year.

Steel share prices fell back after disappointing results from Whitehead Iron and the news of Colville's rights issue. Among the blue chips ICI were 3s. 7½d. lower at 66s. 4½d. Motors lie under the shadow of the possibility of economic measures and BMC fell to a new low for the year of 14s. Engineering shares were also dull. Oil share prices held up when prompt British reactions to the Kuwait crisis reduced the extent of Continental selling. The news of difficult prospects from A. E. Reed influenced other paper shares; Bowater lost 2s. 9d. to 52s. The conclusion of the Monopolies Commission that Imperial Tobacco should sell its interest in Gallaher led to a fall in Gallaher of 5s. 6d. to 40s. Kaffirs fell once more, F. S. Geduld losing 5s. to 76s. 3d. and Anglo American 7s. 6d. to 110s.

LONDON AND NEW

Prices, 1961		BRITISH FUNDS AND GUARANTEED STOCKS		Price, June 28, 1961	Price, July 5, 1961	Net Yield, July 5, 1961	Gross Yield, July 5, 1961	Prices, 1961		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, June 28, 1961	Price, July 5, 1961	Yield, July 5, 1961	Cover
High	Low							High	Low							
92 1/2	89 1/2	Savings Bonds 3%	1955-65	90 1/2	90 1/2	4 2/7	4 2/7	94/6	65/9	6 a	BANKS, DISCOUNT & HP		81/6	76/9	3.39	...
100 1/2	99 1/2	Conversion 4 1/2%	1962	99 1/2	99 1/2	4 1/2	4 1/2	100/3	74/3	7 a	Barclays		89/6	86/9	3.69	...
96 1/2	95 1/2	Exchequer 3%	1962-63	96	96 1/2	3 1/2	3 1/2	96 1/2	58/7 1/2	6 a	District		63/9	61/9	3.45	...
101 1/2	100 1/2	Treasury 5 1/2%	1962	100 1/2	100 1/2	5 1/2	5 1/2	100 1/2	18/7 1/2	8 b	Lloyds		23/6	21/9	3.45	...
93 1/2	92 1/2	Exchequer 2 1/2%	1963-64	93	93 1/2	2 1/2	2 1/2	93 1/2	67/3	8 1/2 a	Martins		77/6 1/2	73/3 1/2	4.10	...
99 1/2	98 1/2	Conversion 4 1/2%	1963	98 1/2	98 1/2	4 1/2	4 1/2	98 1/2	73/4	7 a	Midland		82/3	77/6	3.61	...
98 1/2	96 1/2	Conversion 4 1/2%	1964	96 1/2	96 1/2	4 1/2	4 1/2	96 1/2	58/9	6 1/2 a	Nat Provincial		71/1 1/2	67/3	3.80	...
101 1/2	98 1/2	Exchequer 5 1/2%	1959-69	98 1/2	98 1/2	5 1/2	5 1/2	98 1/2	44/9	8 b	Australia & N.Z.		39/3	37/3	6.11	...
83 1/2	80 1/2	Funding 3%	1959-69	80 1/2	80 1/2	3	3	80 1/2	47/4	4 a	Bk. Lond. & S. Amer.		48/6	46/6	4.17	...
86 1/2	83 1/2	Funding 4%	1960-70	86 1/2	86 1/2	4	4	86 1/2	22 1/2	5 a	Bank of Montreal		22 1/2	21 1/2	5.24	...
79 1/2	77 1/2	Savings Bonds 3%	1960-70	77 1/2	77 1/2	3	3	77 1/2	33 1/2	10 c	Bank of New S. Wales		36/6	35/6	5.63	...
84 1/2	82 1/2	Savings Bonds 2 1/2%	1964-67	83 1/2	83 1/2	2 1/2	2 1/2	83 1/2	44/9	10 c	Barclays D.C.O.		56/6	55/3	5.43	...
72 1/2	70	Savings Bonds 3%	1965-75	70 1/2	70 1/2	3	3	70 1/2	41/5	8 a	Chartered		51/6	50/3	5.43	...
83 1/2	81 1/2	Funding 3%	1966-68	81 1/2	81 1/2	3	3	81 1/2	53/3	9 b	Hongkong & Shanghai		107/6	102/6	4.29	...
97 1/2	93 1/2	Victory 4%	1920-76	96 1/2	96 1/2	4	4	96 1/2	70/6	53/3	Nat. Com. Bk. Scot.		117/6	112/6	4.29	...
85 1/2	83 1/2	Conversion 3%	1969	83 1/2	83 1/2	3	3	83 1/2	62 1/2	52/3 1/2	Royal Bk. Canada		68/3	67/3	2.83	...
93 1/2	89 1/2	Conversion 5%	1971	89 1/2	89 1/2	5	5	89 1/2	96/3	10 b	Royal Bk. of Scotland		106/6	102/6	3.73	...
91 1/2	89 1/2	Conversion 5 1/2%	1974	89 1/2	89 1/2	5 1/2	5 1/2	89 1/2	34/6	5 a	Stand. Bk. S. Africa		36/9	35/3	8.51	...
73 1/2	69 1/2	Treasury 3 1/2%	1977-80	69 1/2	69 1/2	3 1/2	3 1/2	69 1/2	165/9	22 1/2 c	Hambros		132/6	135/9	3.33	...
72 1/2	69 1/2	Treasury 3 1/2%	1979-81	69 1/2	69 1/2	3 1/2	3 1/2	69 1/2	89/6	5 b	Schroders		76/6	77/6	1.94	...
97 1/2	91 1/2	Funding 5 1/2%	1982-84	91 1/2	91 1/2	5 1/2	5 1/2	91 1/2	60/6	6 1/2 a	Union Discount		49/6	49/6	5.05	...
59 1/2	54 1/2	Redemption 3%	1986-96	54 1/2	54 1/2	3	3	54 1/2	27/4 1/2	18/10 1/2	Bowmaker		18/4 1/2	16/7 1/2	1.71	...
88 1/2	83 1/2	Treasury 5%	1986-89	83 1/2	83 1/2	5	5	83 1/2	23/6	17/9	Lombard Banking		18/1 1/2	17/10 1/2	5.31	...
63 1/2	58 1/2	Funding 3 1/2%	1999-2004	58 1/2	58 1/2	3 1/2	3 1/2	58 1/2	21/9	5 a	Merchant Credit		15/10 1/2	15/12 1/2	4.13	...
94 1/2	87 1/2	Treasury 5 1/2%	2009-12	87 1/2	87 1/2	5 1/2	5 1/2	87 1/2	210/9	22 1/2 b	United Domin. Tst.		177/6	172/6	3.07	2 1/2
65 1/2	59	Consols 4%	after Feb. 1957	59 1/2	59 1/2	4	4	59 1/2	14/8	6 1/2 a						
59 1/2	52 1/2	War Loan 3 1/2%	after 1952	52 1/2	52 1/2	3 1/2	3 1/2	52 1/2	12/1 1/2	12/1 1/2						
59 1/2	52 1/2	Conv. 3 1/2%	after Apr. 1961	52 1/2	52 1/2	3 1/2	3 1/2	52 1/2	12/1 1/2	12/1 1/2						
50 1/2	45 1/2	Treasury 3%	after Apr. 1966	45 1/2	45 1/2	3	3	45 1/2	13/1	13/1						
44	38 1/2	Consols 2 1/2%	after Apr. 1975	38 1/2	38 1/2	2 1/2	2 1/2	38 1/2	13/1	13/1						
43 1/2	38 1/2	Treasury 2 1/2%	after Apr. 1975	38 1/2	38 1/2	2 1/2	2 1/2	38 1/2	13/1	13/1						
91 1/2	88 1/2	British Electric 3%	1967-69	88 1/2	88 1/2	3	3	88 1/2	42/6	4 a	BREWING, Etc.					
75 1/2	73 1/2	British Electric 3%	1968-73	73 1/2	73 1/2	3	3	73 1/2	42/6	4 a	Associated Portland		34/6	34/10 1/2	4.27	...
70 1/2	68	British Electric 3%	1974-77	68	68	3	3	68	42/6	4 a	Distillers		24/6	24/10 1/2	3.58	2 1/2
81 1/2	79 1/2	British Electric 4 1/2%	1974-79	79 1/2	79 1/2	4 1/2	4 1/2	79 1/2	42/6	4 a	Flowers		19/9	18/10 1/2	4.21	2
73 1/2	69 1/2	British Electric 3 1/2%	1976-79	69 1/2	69 1/2	3 1/2	3 1/2	69 1/2	42/6	4 a	Guinness		54/6	52/3	4.21	2
84 1/2	81 1/2	British Gas 4 1/2%	1969-72	81 1/2	81 1/2	4 1/2	4 1/2	81 1/2	42/6	4 a	Ind. Coops T.A.		13/9	13/9	4.62	...
81 1/2	79 1/2	British Gas 3 1/2%	1970-73	79 1/2	79 1/2	3 1/2	3 1/2	79 1/2	42/6	4 a	Teacher (Disasters)		34/6	32/6	3.91	2 1/2
59 1/2	54 1/2	British Gas 3%	1970-73	54 1/2	54 1/2	3	3	54 1/2	42/6	4 a	Watney Mann		92/6	92/6	3.91	2
75 1/2	73 1/2	British Transport 4%	1972-77	73 1/2	73 1/2	4	4	73 1/2	42/6	4 a	Whitbread 'A'		120/7 1/2	122/6	4.41	1 1/2
60 1/2	56 1/2	British Transport 3%	1978-88	56 1/2	56 1/2	3	3	56 1/2	42/6	4 a						

NEW YORK PRICES AND INDICES

Prices, 1961		DOMINION AND CORPORATION STOCKS		Price, June 28, 1961	Price, July 5, 1961	Yield, July 5, 1961
High	Low					
82 1/2	78 1/2	Australia 3 1/2%	1965-69	80	78 1/2	3 1/2
101 1/2	98 1/2	Australia 6%	1974-76	98	98 1/2	6
72 1/2	68 1/2	Ceylon 4%	1973-75	68 1/2	68 1/2	4
101 1/2	98 1/2	New Zealand 6%	1978-81	98	98 1/2	6
80 1/2	71 1/2	Rhodesia and Nyasaland 6%	1965-67	71 1/2	71 1/2	6
89	85	South Africa 3 1/2%	1968-70	85	85	3 1/2
94 1/2	90 1/2	Southern Rhodesia 4 1/2%	1967-72	90 1/2	90 1/2	4 1/2
89	84 1/2	Agricultural Mortgage 5 1/2%	1980-85	84 1/2	84 1/2	5 1/2
93 1/2	89 1/2	Birmingham 4 1/2%	1967-70	89 1/2	89 1/2	4 1/2
48 1/2	43 1/2	Bristol 5%	1971-73	43 1/2	43 1/2	5
89 1/2	85 1/2	Corporation of London 5 1/2%	after 1920	85 1/2	85 1/2	5 1/2
89 1/2	85 1/2	L.C.C. 5%	1980-83	85 1/2	85 1/2	5
89 1/2	85 1/2	Middlesex 5 1/2%	1980	85 1/2	85 1/2	5 1/2

Standard and Poor's Indices (1941-43=100)

1961		425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
June 7		70.57	2.83	33.04	4.89	59.23	3.23	90.39	3.58
" 14		69.86	2.89	32.64	4.95	58.81	3.28	90.49	3.84
" 21		68.99	2.92	32.15	5.03	57.94	3.33	89.96	3.89
" 28		68.40	2.95	31.68	5.10	57.55	3.36	89.75	3.90
July 5		69.43	2.90	32.38	4.99	58.92	3.28	89.85	3.90

High, 71.75 (May 17). Low, 60.87 (Jan. 3).

425 Industrials - High, 71.25 (May 17). Low, 60.87 (Jan. 3).

* Ex dividend. † Tax free. ‡ Assumed average life 8 years. § The net redemption yield allow for tax at 7s. 9d. in £. || Ex capitalisation. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Ex rights. (h) Equivalent to 7 1/2 sterling. (i) To latest date. (j) After Rhodesian tax.

YORK STOCKS

Prices, 1961		ORDINARY STOCKS		Price, June 28, 1961	Price, July 5, 1961	Yield, July 5, 1961	Cover	Prices, 1961		ORDINARY STOCKS		Price, June 28, 1961	Price, July 5, 1961	Yield, July 5, 1961	Cover
High	Low							High	Low						
34/-	18/-	10 c	10 c	19/3	18/-	5.56	2 1/2	62/-	43/-	20 a	60 b	58/-	56/3	5.33	1 1/2
15/-	7/9 1/2	21 c	10 c	13/-	12/9	1.65	2 1/2	34/6	26/9	30 b	20 a	29/-	28/-	8.93	2
74/-	55/-	4 a	8 b	58/-	55/-	4.36	2 1/2	51/9	41/4 1/2	16 a	14 b	50/-	49/6 1/2	3.03	2
15/6	12/3	12 1/2 d	12 1/2 d	12/3	12/3	4.44	3 1/2	54/3	42/1	65 b	13 b	46/-	45/3	4.42	2 1/2
19/3	14/-	10 b	21 a	15/-	14/-	4.46	13 1/2	28/4 1/2	17/6	65 b	4 a	21/9	20/6	2.60	2 1/2
107/9	74/6	5 a	10 1/2 b	76/6	74/6	4.25	1 1/4	13/-	9/9	3 a	7 b	9/10 1/2	9/10 1/2	5.06	2 1/2
35/6	26/10 1/2	9 b	5 a	29/4 1/2	28/3 1/2	4.96	2	55/6	55/6	15 b	15 b	57/3	55/6	4.05	2
14/0 1/2	10/9	21 a	7 1/2 b	12/4 1/2	10/10 1/2	4.60	2	50/-	50/-	6 a	14 b	37/6	37/-	2.70	3 1/2
50/-	44/-	9 b	3 a	46/7 1/2	44/-	5.45	2	54/3	54/3	14 1/4 c	6 a	58/-	54/3	2.76	3 1/2
20/10 1/2	16/3 1/4	9 a	5 a	17/6	16/3 1/4	4.29	13 1/2	57/6	48/9	12 b	3 a	51/3	51/3	5.85	2 1/2
73/-	62/-	12 1/2 c	15 1/2 a	65/3	64/3	5.51	23 1/2	55/6	41/3	5 a	40 b	41/3	41/6	5.42	2 1/2
51/6	40/-	5 a	15 b	45/6	41/6	4.88	2	28/-	23/3	5 a	12 1/2 b	26/3	26/3	3.33	2
71/6	65/3	8 1/2 a	14 b	68/-	65/9	6.84	13 1/2	107/3	56/3	7 1/4 b	4 a	92/9	93/3	2.41	2 1/2
								78/9	60/9	9 1/2 c	12 1/2 c	68/9	66/3	3.77	2 1/2
								37/3	30/10 1/2	10 b	6 a	33/6	32/-	5.00	2 1/2
								30/3	24/7 1/2	15 b	5 a	30/1 1/2	30/1 1/2	3.49	3
								37/6	18/9	13 1/2 c	7 1/2 a	28/9	28/9	3.91	2 1/2
								43/3	32/10 1/2	7 1/2 a	16 1/2 b	38/9	38/9	3.10	1 1/2

Money and Exchanges

EXCHEQUER RETURNS

For the 6 days ended June 30, 1961, there was an "above-line" deficit (after allowing for sinking funds) of £38,603,000 compared with a deficit of £4,532,000 in the previous week and a deficit of £21,169,000 in the corresponding period of last year. There was a net receipt "below-line" of £29,652,000 leaving a total cumulative deficit to date of £167,894,000 compared with £308,862,000 in 1960-61.

£'000	Estimate 1961-62	April 1, 1960, to June 30, 1960	April 1, 1961, to June 30, 1961	5 days ended June 30, 1960	6 days ended June 30, 1961
Ordinary Revenue					
Income Tax.....	2,728,500	321,203	376,833	34,858	41,848
Surtax.....	210,000	24,300	29,200	700	1,300
Death Duties.....	240,000	56,200	73,300	2,300	5,200
Stamps.....	94,000	21,900	28,300	900	2,300
Profits tax; EPT and EPL.....	325,500	48,600	61,200	2,000	3,200
Other Inland Rev. Duties.....	...	...	...	...	...
Total Inland Rev.	3,598,000	472,203	568,833	40,758	53,848
Customs.....	1,550,000	366,315	398,067	18,824	25,206
Excise.....	960,000	215,030	221,245	9,825	20,545
Total Customs and Excise	2,510,000	581,345	619,312	28,649	45,751
Motor Duties.....	155,000	14,503	15,853	277	...
PO (Net Receipts).....	...	5,600	6,800	3,800	...
Broadcast Lic's.....	40,000	6,800	6,800	2,200	...
Sundry Loans.....	205,000	11,344	106,175	...	534
Miscellaneous.....	...	26,994	...	...	...
Total	6,508,000	1,118,789	1,316,963	68,184	100,133
Ordinary Expenditure					
Debt interest.....	660,000	174,349	195,100	2,062	2,754
Payments to N. Ireland Exch. PO Fund—Initial settlement.....	92,000	20,434	20,876	...	3,997
Other Consolidated Funds.....	15,000	...	...	...	...
Supply Services.....	8,000	1,168	1,186	37	55
Total	5,961,902	1,315,246	1,439,240	89,153	138,426
Sinking Funds.....	40,000	6,601	6,490	200	310
"Above-line" Surplus or Deficit	203,058	128,767	21,169	38,603	...
"Below-line" Net Expenditure*	105,804	39,127	55,747	29,652	...
Total Surplus or Deficit	308,862	167,894	76,916	8,951	...
Net receipts from:					
Tax Reserve Certificates.....	45,218	44,842	9,150	5,076	...
Savings Certificates.....	22,200	...	...	...	...
Defence Bonds.....	23,507	17,400	...	1,048	...
Premium Saving Bonds.....	10,330	12,150	...	1,100	...
Total	101,255	68,892	9,150	6,324	...

* Net issue of the Civil Contingencies Fund of £4 million in 1961-62 compared with a net issue of £13 million in 1960-61.

FLOATING DEBT

	Treasury Bills	Ways and Means Advances	Total Floating Debt
	Tender	Public Dept.	Bank of England
1960 June 30	5,510.7	260.4	5,771.1
1961 Mar. 25	3,100.0	1,606.0	300.5
" 31	4,648.1	307.3	4,955.4
Apr. 8	3,110.0	1,599.2	299.4
" 15	3,130.0	1,928.5	269.5
" 22	3,140.0	1,911.3	336.3
" 29	3,110.0	1,993.1	247.9
May 6	3,130.0	1,887.3	293.3
" 13	3,160.0	1,893.0	275.3
" 20	3,180.0	1,839.1	316.3
" 27	3,210.0	1,843.3	249.7
June 3	3,240.0	1,825.3	258.5
" 10	3,270.0	1,827.6	242.2
" 17	3,280.0	1,823.6	263.9
" 24	3,290.0	1,874.2	201.6
" 30	3,290.0	1,909.6	283.3

THE MONEY MARKET

At £98 17s. 4d. the combined bid of the discount houses remained unchanged at last Friday's bill tender. The market is still prepared for a rise in Bank rate, but would now be very surprised to see it in advance of the Chancellor's general measures expected later this month. The average rate of discount last week rose marginally by 0.47d. to £4 8s. 8.94d. per cent. Total application rose by £12 million to £401 million and the market received 46 per cent of its application compared with 50 per cent a week earlier.

The incidence of the half-year end produced unsettled conditions in Lombard Street. On Friday, even after the Bank had helped the market by purchasing a substantial number of bills, funds were still insufficient to meet the strains of the half-year and eight or nine houses called on the Bank of England to share a very large amount of assistance. On Saturday, in contrast, the market opened with money on offer at the clearing banks' minimum of 3½ per cent. After the weekend credit was again tight; on Monday and Tuesday the authorities provided the market with large amounts of help.

MONEY RATES

LONDON			
Bank rate (from 5½%)	%	Discount rates:	%
5½%	8/12/60	Bank bills:	
		60 days.....	42½-42¾
		3 months.....	42½-42¾
		4 months.....	42½-42¾
		6 months.....	42½-42¾
		9 months.....	42½-42¾
		12 months.....	42½-42¾
		Discount houses:	
		3 months.....	3-3½
		6 months.....	3-3½
		9 months.....	3-3½
		12 months.....	3-3½
		Money:	
		Day-to-Day.....	3½-4½

NEW YORK			
Official Discount	%	Treasury bills:	%
(from 3½%, 11/8/60)	3	June 26.....	2-2½
		" 30.....	2-305

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits	July 5th	June 29	June 30	July 1	July 3	July 4	July 5
United States \$	2-78-2-82*	2-78½-13½	2-78½-13½	2-78½-13½	2-78½-13½	2-78½-13½	2-78½-13½	2-78½-13½
Canadian \$	13-622-14-027	13-65½-14	13-65½-14	13-65½-14	13-65½-14	13-65½-14	13-65½-14	13-65½-14
French Fr.	11-94-12-54½	12-02½-03½	12-02½-03½	12-02½-03½	12-02½-03½	12-02½-03½	12-02½-03½	12-02½-03½
Swiss Fr.	137-96-	138-85-	138-85-	138-85-	138-85-	138-85-	138-85-	138-85-
Belgian Fr.	142-05	142-05	142-05	142-05	142-05	142-05	142-05	142-05
Dutch Gld.	9-98½-10-28½	10-01½-1	10-01½-1	10-01½-1	10-01½-1	10-01½-1	10-01½-1	10-01½-1
W. Ger. D-Mk.	11-037-11-365	11-08½-1	11-08½-1	11-08½-1	11-08½-1	11-08½-1	11-08½-1	11-08½-1
Portug. Esc.	1725-1775	80-05-20	80-05-20	80-05-20	80-05-20	80-05-20	80-05-20	80-05-20
Italian Lire	1729½-30½	1729½-30½	1729½-30½	1729½-30½	1729½-30½	1729½-30½	1729½-30½	1729½-30½
Swedish Kr.	14-27½-14-70	14-39½-1	14-39½-1	14-39½-1	14-39½-1	14-39½-1	14-39½-1	14-39½-1
Danish Kr.	19-06½-19-62	19-32½-1	19-32½-1	19-32½-1	19-32½-1	19-32½-1	19-32½-1	19-32½-1
Norwegian Kr.	19-71-20-30½	19-99-99½	19-99-99½	19-99-99½	19-99-99½	19-99-99½	19-99-99½	19-99-99½
Official Limits								
United States \$	1-7½c. pm	1-7½c. pm	1-7½c. pm	1-7½c. pm	1-7½c. pm	1-7½c. pm	1-7½c. pm	1-7½c. pm
Canadian \$	1½-3½c. pm	1½-3½c. pm	1½-3½c. pm	1½-3½c. pm	1½-3½c. pm	1½-3½c. pm	1½-3½c. pm	1½-3½c. pm
French Fr.	5½-5½c. pm	5½-5½c. pm	5½-5½c. pm	5½-5½c. pm	5½-5½c. pm	5½-5½c. pm	5½-5½c. pm	5½-5½c. pm
Swiss Fr.	32-18c. pm	32-18c. pm	32-18c. pm	32-18c. pm	32-18c. pm	32-18c. pm	32-18c. pm	32-18c. pm
Belgian Fr.	6-5½c. pm	6-5½c. pm	6-5½c. pm	6-5½c. pm	6-5½c. pm	6-5½c. pm	6-5½c. pm	6-5½c. pm
Dutch Gld.	6½-6½c. pm	6½-6½c. pm	6½-6½c. pm	6½-6½c. pm	6½-6½c. pm	6½-6½c. pm	6½-6½c. pm	6½-6½c. pm
W. German D-Mk.	6½-6½c. pm	6½-6½c. pm	6½-6½c. pm	6½-6½c. pm	6½-6½c. pm	6½-6½c. pm	6½-6½c. pm	6½-6½c. pm
United States \$	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm
Canadian \$	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm
French Fr.	16-15c. pm	16-15c. pm	16-15c. pm	16-15c. pm	16-15c. pm	16-15c. pm	16-15c. pm	16-15c. pm
Swiss Fr.	16½-16½c. pm	16½-16½c. pm	16½-16½c. pm	16½-16½c. pm	16½-16½c. pm	16½-16½c. pm	16½-16½c. pm	16½-16½c. pm
W. German D-Mk.	16½-16½c. pm	16½-16½c. pm	16½-16½c. pm	16½-16½c. pm	16½-16½c. pm	16½-16½c. pm	16½-16½c. pm	16½-16½c. pm
Price (\$ s. d. per fine oz.)	251/8	251/8	251/8	251/8	251/8	251/8	251/8	251/8
" (\$.. " .. " ..)	35-08½	35-08½	35-08½	35-08½	35-08½	35-08½	35-08½	35-08½

BANK OF ENGLAND RETURNS

(£ million)	July 6, 1960	June 28, 1961	July 5, 1961
Issue Department:			
Notes in circulation.....	2,245.6	2,320.9	2,337.9
Notes in banking dept.....	54.7	54.4	37.4
Govt. debt and securities.....	2,297.5	2,373.5	2,373.5
Other securities.....	0.7	0.7	0.7
Gold coin and bullion.....	0.4	0.4	0.4
Coin other than gold coin.....	1.8	0.8	0.8
Banking Department:			
Deposits:			
Public accounts.....	10.9	13.0	12.2
Special deposits.....	87.5	153.7	153.7
Bankers.....	255.7	275.9	270.6
Others.....	67.5	77.2	77.6
Total.....	421.6	519.8	514.1
Securities:			
Government.....	335.3	397.1	368.2
Discounts and advances.....	30.4	67.2	107.7
Total.....	18.5	18.4	18.2
Banking department reserve.....	384.1	482.7	494.1
"Proportion".....	13.1	10.6	7.4

* Government debt is £1,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on June 29th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million)		Three Months' Bills	
	Offered	Applied for	Average Rate of Allotment	Allotted Rate*
1960 July 1	91 day 290.0	449.6	8.11	54
1961 Mar. 30	260.0	418.1	8.41	40
Apr. 7	260.0	473.7	8.68	42
" 14	280.0	414.1	8.79	42
" 21	260.0	411.3	8.91	42
" 28	220.0	379.8	8.71	67
May 5	240.0	416.2	8.42	49
" 12	250.0	445.8	8.54	50
" 19	260.0	432.5	8.38	33
" 26	270.0	440.2	8.74	50
June 2	270.0	419.9	8.91	61
" 9	270.0	463.3	8.91	39
" 16	260.0	391.2	9.04	39
" 23	260.0	389.1	9.04	39
" 30	250.0	400.8	9.04	46

* On June 30th tenders for 91 day bills at £98 17s. 4d. secured 46 per cent, higher tenders being allotted in full. The offer for this week was for £240 million of 91 day bills. The offer for by £10 million. * Allotment cut by £30 million.

The United States

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

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

BRITISH			
Prices and Wages.....	June 24th	External Trade.....	July 1st
Manpower and Output....	June 17th	Industrial Profits.....	Apr. 29th
OVERSEAS			
Western Europe.....	June 10th	United States.....	This week

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices Composite index 1957-59 = 100	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade		At current prices	At 1960 prices
1948.....	104.4	107.3	102.8	104.1	103.5	101.7	100	100	100	36.6	54.14	65.54
1959.....	119.5	89.1	124.6	118.3	107.9	129.2	117	110	106	116.7	89.47	90.83
1960.....	119.6	88.8	126.5	119.7	109.4	131.5	118	111	106	113.9	90.91	90.91
1961, February.....	119.9	90.3	127.5	121.4	109.6	132.4	118	113	104	125.4	90.25	89.53
" March.....	119.8	90.1	127.5	121.2	109.8	132.5	116	113	103	129.8	90.71	89.99
" April.....	119.3	88.1	127.5	121.2	109.5	132.3	...	...	...	133.0	91.57	90.84
" May.....	119.0	87.0	127.4	120.7	109.6	132.2	...	...	...	134.9	92.66	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rate	Total industrial production	Manufacturing production						Building New construction; seasonally adjusted annual rates	Civilian employment ¹			
			Durable goods			Non-durable goods				Total labour force	Total employment	Unemployed as per cent of labour force; seasonally adjusted	
			Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products					
	\$ billion	1957 = 100 : seasonally adjusted									\$ billion	thousands	
1948	259.4	69	64	84	44	72	87	54	23.2	61,442	59,378	3.4	
1959	482.1	105	102	90	98	110	115	113	56.2	69,394	65,581	5.5	
1960	503.2	108	104	91	102	114	115	118	55.1	70,612	66,571	5.6	
1961, January	499.8 ²	102	95	71	89	111	105	114	55.3	69,837	64,452	6.6	
" February		102	94	73	88	111	107	113	54.8	70,360	64,655	6.8	
" March		102	95	74	88	112	110	113	55.2	71,011	65,516	6.9	
" April		...	105	99	82	94	113	112	117	55.3	70,696	65,714	6.8
" May		...	108	103	91	97	115	113	121	56.5	71,546	66,778	6.9

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Highlights from Supplementary Statement
by Mr. C. W. Hayward, Chairman and Managing
Director, at the Annual General Meeting.

Profit Breakdown—1960

The following profit breakdown by Divisions will be of interest to shareholders:—

Engineering, Electronics and Instruments...	19.8
Metals	24.8
Overseas Companies	2.7
Retail	52.7
	100.0

Percentage of earnings to equity, 67.3 (57.2 in 1959) is a figure not bettered by many companies of equal size, despite Company's heavy development investment in electronics, instruments and cold forging which has not yet significantly contributed to earnings.

Fram Filters

The Filter Division of Simmonds Aeroaccessories, which has been selling Fram filters and separators to the Automotive and Oil Industries under licence, has been sold to Fram Canada Ltd. The latter had planned to set up their own manufacturing facilities in Europe and this would have had a marked effect on the Group's export business in these products. All personnel will be re-employed by the new Company and their pensions have been safeguarded.

Capital Proposals

It is not proposed to issue the whole of the 4 million £1 Preference shares by which authorised capital was increased last January. Necessity of raising more than approximately £2 million is not envisaged in view of additional liquidity arising from the sale of Filter Division and certain trade and other investments which will add more than £1 million to Group's cash resources.

Outlook for 1961

All Divisions are continuing to make progress. Landmaster is showing record sales in U.K. and export markets, and 1961 turnover is expected to show substantial increase.

Solartron's new factory at Farnborough will be opened by the President of the Board of Trade, The Rt. Hon. Reginald Maudling, on July 17th and since the Report was issued they have had successful showing at Moscow Fair which resulted in some £200,000 of orders. Order book now stands at record level.

Orders worth some £300,000 have been received for the Firth Cleveland Tangential Fan which will be in production at Solartron next month.

Current year's results should not give cause for dissatisfaction provided there are no unforeseen Government or other restrictions.

The Chairman concluded by emphasising Group's inherent strength and reiterating his confidence that they would maintain in future a rate of progress in keeping with their past record.

	Turnover £	Profit Before Tax £
1955	14,250,000	1,379,122
1956	16,250,000	1,542,619
1957	17,250,000	1,725,519
1958*	21,000,000	1,854,050
1959	21,500,000	2,144,806
1960	36,000,000	3,067,263

* = 14 months

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Reserve Funds	Pak. Rs. 20,000,000/-
Deposits as on Dec. 31, 1960	Pak. Rs. 772,300,000/-

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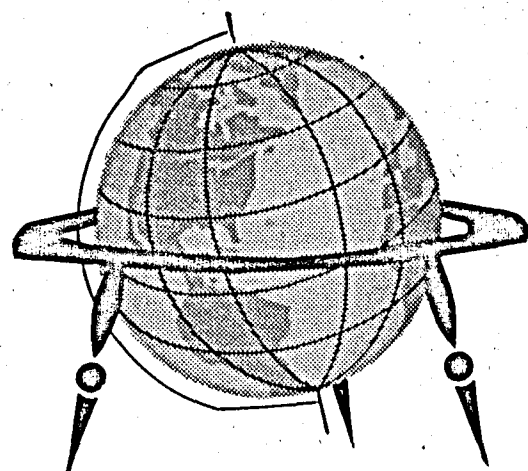
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