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In The Economist this Week

July 15, 1961

HOME

TOUGH

Higher Bank rate and higher indirect taxes are the Chancellor's best short-term weapons against economic crisis: fewer subsidies to dying industries, more competition at home and abroad, and a firm stand against wage inflation are the necessary concurrent prescriptions for a long-term cure (p. 217).

Crisis remedies of the past (p. 270).

Abroad the rising bill for housing troops needs a closer look, in the light of Britain's promises—and its political prospects (p. 227).

At home the stock market and the exchange dealers are biting their nails and wearing out their nerves while waiting for the Chancellor's grand cure (p. 271).

Whips in the Commons—firm persuaders of stern flagellants? (p. 220).

Tough battle won: An analysis of the Trustee bill (p. 267).

ROUGH

People who try to control the trade in cotton textiles can expect a rough reply from the "rice-standard" countries (p. 265).

INTERNATIONAL

ARMS AND MR K

Mr Khrushchev has halted the reduction of Soviet armed forces and increased the defence budget. But the road to Russia's place in the sun is still meant to be an economic one as well (p. 219).

He seems to have needled the United States into another increase of its own defence spending (p. 248); and the Moscow air show has shown the extent of Russia's achievement in an aircraft manufacturer's dreamland (p. 271).

Britain has been welcoming Major Gagarin as the symbol of that achievement—and as an agreeable young ambassador (p. 227).

HANDS ACROSS THE CHANNEL

Mr Sandys may not be a passionate pilgrim, but his arguments in favour of Britain joining the common market have provoked high-tempered objections in **Canberra** (p. 258) and he found a first-rate domestic political storm raging when he got to **Ottawa** (p. 261). Mr Thorneycroft has been more fortunate in both **Pakistan** and **Malaya** (p. 226); and Malaya is in process of effecting its own rapprochement with Singapore (p. 262).

On the **French** side of the Channel, economists ancient and modern are united in opposition, though for different reasons, to the "Anglo-Saxon" Bernstein plan for monetary reform. But the radical moderns hope that if the British join the common market, they will support Professor Triffin's more far-reaching proposals (p. 259). For this and other reasons Britain can be more hopeful of a welcome from the Six if it does try to join them (p. 227).

FINGERS IN THE PIES

The **Kuwait** affair has given warning to the sheikhs of Gulfdom that they must make radical adjustments of their Victorian

Scandinavian Airlines is in for a rough time and has called in a doctor (p. 280).

Rough on the honest. The latest proposals of the finance houses look like making the good customers pay for the faults of the bad (p. 272).

Taking the rough-ride out of motoring (p. 279).

REBUFF

The transport workers' conference at Brighton showed that Mr Cousins has his union's backing in his unilateral fight against Mr Gaitskell (p. 236).

Income tax: Do the pleasures of life depend, for professional men, on their tax schedule? (p. 232).

Minicabs: The minimum five-mile haul may look like a friendly gesture to taxi operators but it may take their most lucrative fares (p. 235).

Ulster's resistance to the payroll tax may lead to greater economic autonomy for the province (p. 237).

A NEW HOME FOR THE ECONOMIST (pp. 224-226).

politics to meet the realities of today (p. 222). The withdrawal of British troops from Kuwait itself may not be so knotty a problem as it looks (p. 226)—but the whole affair has not made business negotiations about Iraq's oil any easier (p. 272).

In the Laotian murk it is at least clear that the Americans are at last willing to extract their finger if the Chinese and Vietnamese will remove theirs too; and that is not at all what the Chinese and their friends want (p. 258).

Germans Face to Face: Dr Adenauer and Mr Brandt have been disagreeing about foreign policy (p. 228) but they are agreed that the women voters are important (p. 260).

Shouldering On: General Gürsel will, it is to be hoped, persist in his attempt to bring back democracy to Turkey (p. 231). General de Gaulle must make some final concessions if he is to succeed in bringing back peace to Algeria (p. 228).

Britain on the Wrong Foot: The CRO has got itself, instead of Dr Verwoerd, into a fix over **South West Africa** (p. 223); and the prospects of the Central African Federation have not been helped by the treatment of Mr Kaunda (p. 235).

IN THE UNITED STATES

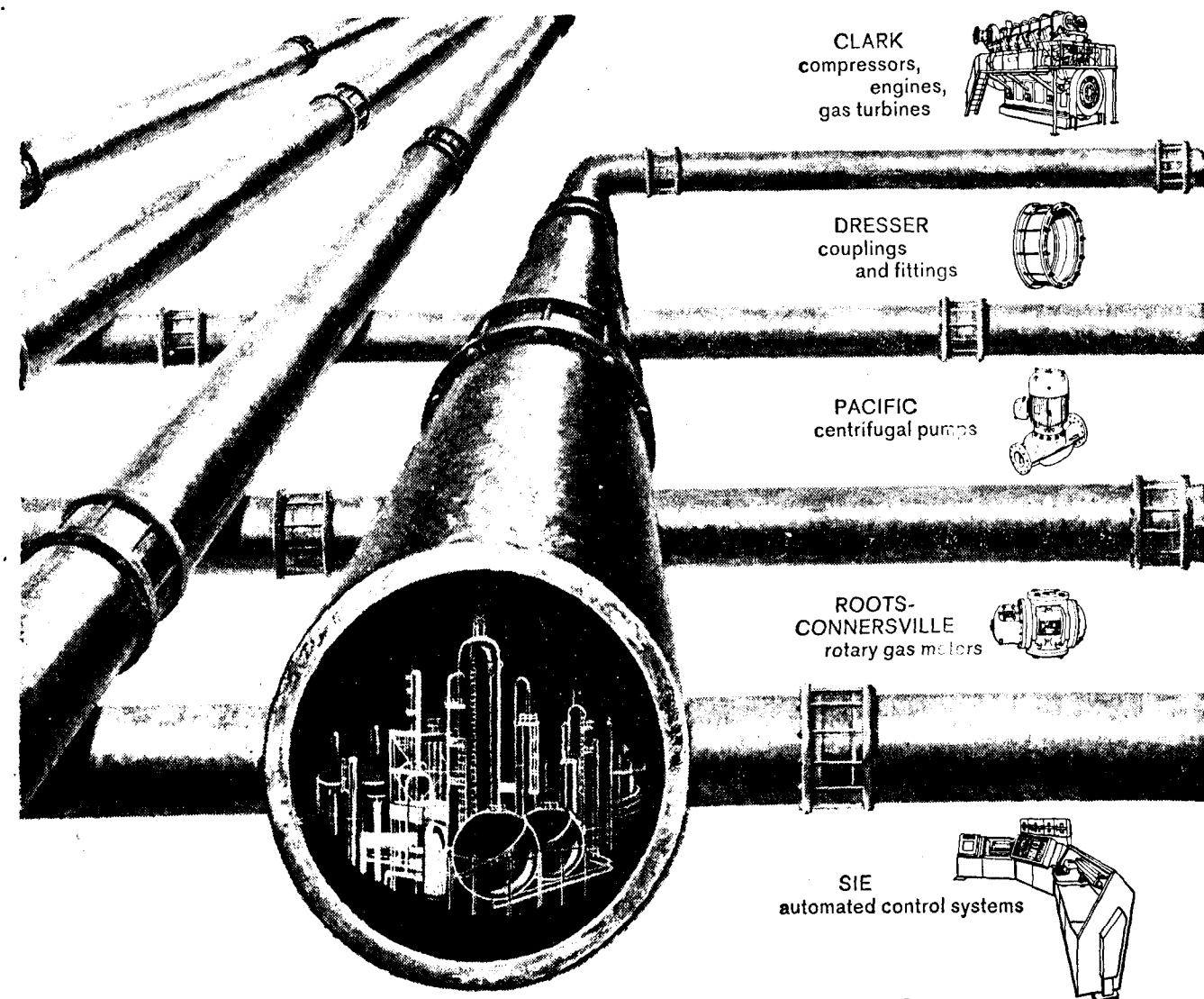
That Mr James Hoffa is still in complete control of the lorry-drivers' huge trade union instead of in prison is the most important fact in the American labour movement today (p. 247). Unemployment is still severe in the United States, for understandable reasons, even though the recession is over (p. 248).

Virginia remains depressingly unprogressive (p. 251).

The need to end racial discrimination against African diplomats in Washington may help American Negroes as well (p. 251).

Tourist traffic between the United States and the rest of the world is still very unbalanced (p. 252).

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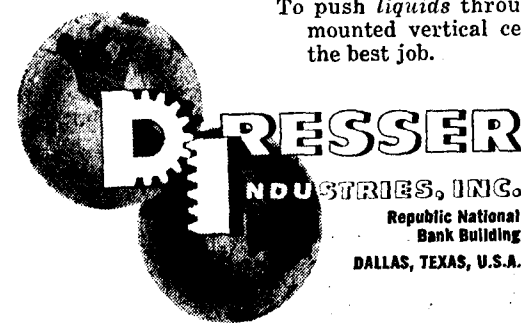
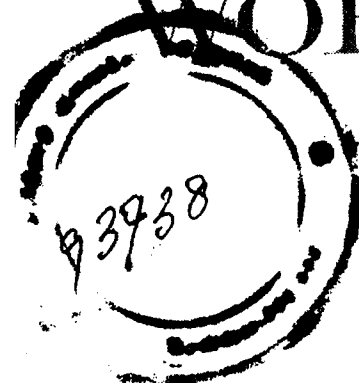
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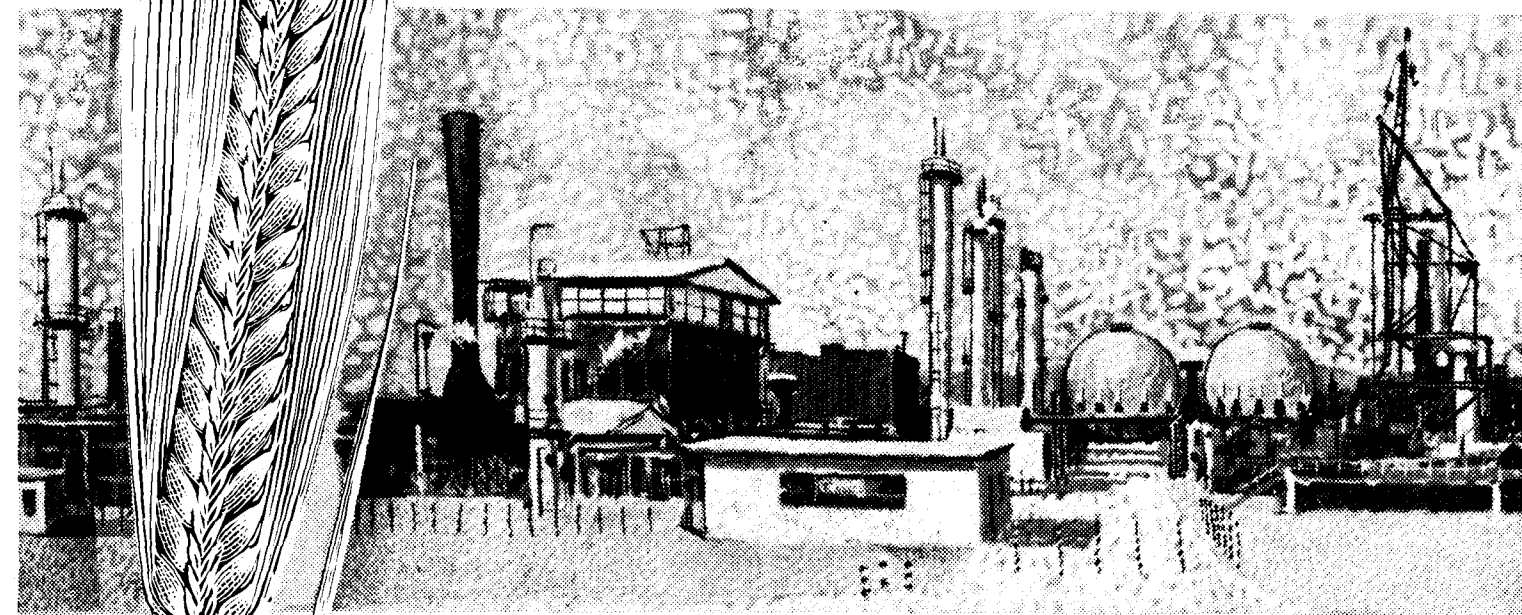
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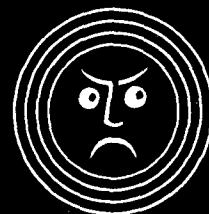


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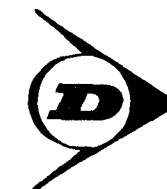
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State, municipal, and public securities	206,424,273
Other securities	13,575,983
Loans	2,353,843,924
Customers' acceptance liability	132,805,162
Stock of Federal Reserve Bank	12,750,000
Investment in subsidiary companies	7,020,496
Bank premises	35,057,356
Other assets	129,307,922
	\$4,518,891,095

Liabilities

Deposits	\$3,649,707,361
Foreign funds borrowed	1,412,372
Reserve for expenses and taxes	37,842,709
Liability on acceptances	134,400,931
Dividend payable July 14, 1961	7,540,000
Other liabilities	126,964,731
Capital — 7,540,000 shares	
— \$25 par	\$188,500,000
Surplus	236,500,000
Undivided profits	136,022,991
Total capital funds	561,022,991
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The Economist

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The Axe of Damocles

MR BUTLER told an audience of Yorkshire Conservatives last weekend that good might yet stem from Britain's economic difficulties "especially if our party gives a lead to the country in calling for moral values to emerge instead of materialist appetites." It is awfully difficult to see what this means; but it is to be hoped that Mr Butler is not pretending that the drab defeat which is now to be forced upon the Government as the Chancellor puts the country on to shorter commons can somehow be disguised as an act of great moral virtue. The last straw on top of economic failure will be if the British people are invited to linger and admire it. The sole criterion by which the Chancellor should choose the short and long-term remedial measures which he is now to be obliged to take is: which are likely to have the most direct and bee-line economic effect in dragging the country most quickly out of its present mess and back on the road towards prosperity?

The main short-term needs are to stop the run from the pound, and to reduce the present overload of demand at home. The most obvious direct way of inducing foreigners to keep their funds in Britain would be to make it more profitable for those funds to stay here. There is therefore some reason to feel disturbed that another Thursday has passed without Bank rate being raised: all past experience suggests that it should now go up to 7 per cent. Of the two main excuses for not using Bank rate so far, one has been that foreign central banks, under the Basle agreement, have kindly been holding on to their sterling balances at the present level of interest rates, and that it seems gratuitous to pay them 2 per cent or so more per annum for doing something they are doing already. But the answer to this is that private foreign investors are now hurrying out of sterling at an alarming pace, and that this is laying up penalties for us for when the Basle agreement is relaxed (which, some day soon, it will be). The second excuse, which does have more validity, is that by now action on Bank rate alone would not be enough, and that it will be best to fire all the Chancellor's counter-measures in a single salvo. This may be defensible provided Bank rate plays a main part when the curtain goes up. Unfortunately, the Chancellor is being urged by a motley collection of experts that interest rates should not be used at all at the present time; there are strong grounds for the suspicion that these analysts are being too expert to have any common sense.

Very much *faute de mieux*, the best auxiliary short-term weapon in the salvo might be to raise all indirect taxes by 10 per cent. There are considerable disadvantages in this idea of damping down demand inflation by heating up apparent price inflation, but use of the new regulator seems the most obvious way of cutting over £200 million a year from effective consumer incomes immediately. If it is used, it might be best to impose the full 10 per cent rise straightaway, and to emphasise that this maximum rate is intended as a short-term shift, so that the public would know that the next movement in indirect tax rates would have to be downward; they might then hold back some purchases this summer while waiting for this reduction, and with great good fortune the Government might even manage to effect the return to lower rates round about late autumn, just as the new crop of trade union wage demands will come forward and have to be refused (that they should be refused is the crux of all, if the remedial measures are to "stick"). The worst mistake would be to push the new regulator only half way, to 5 per cent, and then to find that the situation did not improve

sufficiently; everybody might then begin to expect that the other permitted 5 per cent increase would have to follow, and hurry forward purchases accordingly.

It is difficult to see how any other short-term weapons to which the Chancellor may set his hand can have any sensible value. Mr Lloyd is almost certain to announce the customary cuts in public investment at home and abroad; but as usual these cuts could not easily take effect until well into 1962, when they may not be needed. The same applies to any idea of making further nibbles at the social services, which would require legislation that presumably could not become effective until well after the summer recess. There are lots of serious long-term problems about the finance of Government investment and of the social services to which the Government needs to give its thoughtful attention (the Plowden report ought to have something to say about them), but any cuts that were made in the heat of emergency would be unlikely to be thought out at all. Similarly, "instructions" to the banks to cut advances will be superfluous if the Government raises Bank rate sufficiently and handles its own monetary operations in the short-term market with proper stringency; if it does not do this, they are likely to be ineffective. One of the possible cuts that officialdom has been talking about is in overseas aid, which hardly accords well with Mr Butler's phrase about encouraging "moral values." Elsewhere in the overseas capital account, there may be more substance in the argument that some of Britain's strictly commercial investment overseas, which successive governments have hitherto eagerly encouraged, has proved a bad bargain for the country. There may be a case for changing tax law here, but once again the best way out would surely be to encourage investment funds to stay at home by raising interest rates in Britain.

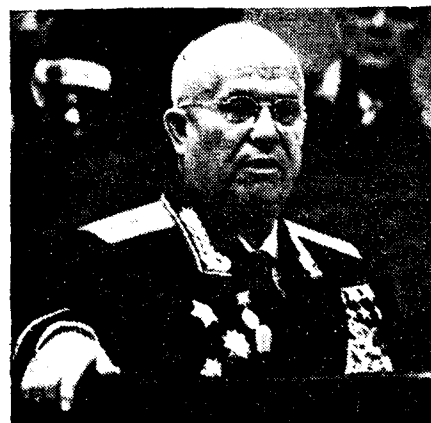
IF the Government does include a mass of small spending economies among its short-term "crisis" measures, instead of relying on large increases in interest rates and indirect taxes, this will be another sign of the Treasury's long-standing misconception about what impresses foreigners. The Treasury always thinks that foreigners need to be shown that Britain is not a rake but a stern counter of pennies, full of what Mr Butler calls moral worth. But in fact the most damaging foreign image of Britain is that of an insular and fussy old grandma, who fiddles continually with little things but allows big evils (like wage inflation) to go rip; the image that Britain needs to spread is that of a modern business executive, who concentrates on making big decisions to save or earn millions of pounds, and who can rely for the saving of pennies on the continuing daily work of some junior cost accounting clerk. Contrary to Treasury myth, most practical businessmen would not be encouraged to invest in a company which, having found itself in difficulties, called an extraordinary shareholders' meeting to announce such steps as the imposition of 2d. on the staff's canteen meals. That sort of economy, when it is justified, should be picked up and made in the normal course of business, not trumpeted out to devalue big occasions.

A big complication this time is that the short-term threat to sterling, if Mr Lloyd fails to impress foreigners with a change in Britain's image, is going to be inextricably bound up with the long-term measures that the Chancellor takes. The Chancellor's statement of remedial measures to Parliament is expected to come at just about the time when Britain

will have to make some announcement about the next stage in negotiations with the common market; if Britain's decision is that because of Commonwealth difficulties those negotiations with Europe must be further delayed—and one is getting steadily more frightened that it may be—then it is going to become much more difficult to bolster foreign confidence in the pound. This is the big new threat close behind us, and it is a misfortune that Mr Sandys has not had more success in pointing it out to the Commonwealth. It is also a factor that makes it more than ever important that Mr Lloyd's short-term crisis measures should be accompanied by specific remedies for Britain's longer-term debilities.

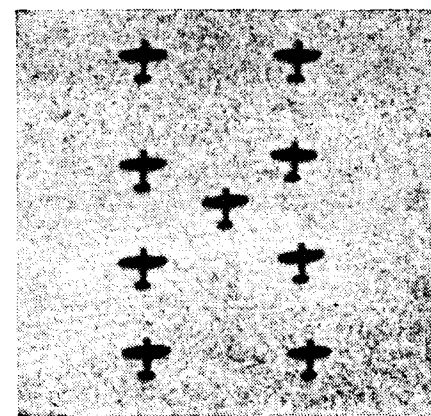
EVERYBODY ought to know by now what these two real long-term ailments in Britain's internal economy are, and what is the physic needed to remove them. The first reason for our long-term economic weakness is that Britain has constantly restricted success, and as constantly subsidised failure. A cardinal long-term error of the nineteen-fifties was that restrictions each crisis-time were specifically directed towards consumer goods bought on hire purchase, so that the main clamp was placed always on the biggest natural growing points of the economy; a precisely similar error in the nineteen-sixties would be to direct restrictions specifically to the new natural growing point of building. Always in a dynamic economy the bias should be towards shaking resources free from dying industries instead of blocking their employment in expanding ones. If the Government were really serious in its professed intention to probe down to the roots of the persistent weakness of sterling, and to cut and graft wherever a real improvement can be made, it is towards the weaker and cosseted industries that it would direct its crisis cuts: towards no more subsidies for Cunarders or horticulture or fishing, towards a real drive to close down uneconomic coal mines even in awkward unemployment areas, and so on. But everybody knows that it will not be really bold about this. What just conceivably might, and certainly ought to, happen this time, however, is that the Government may seek to encourage some more generalised weeding out of particular inefficient firms and manufacturing industries by exposing them to more competition: the logical long-term weapons to use here would be a cut in tariffs on manufactured goods, the abolition of legal protection for resale price maintenance, and legislation to curb restrictive practices enforced by trade unions.

The second and even more staring long-term ailment in the economy is that Britain cannot regain economic health so long as collectively bargained wage increases run ahead of increases in productivity by some £400 million or £500 million a year. The change needed here is to see that the vast conciliation and arbitrational mechanisms of the Ministry of Labour, together with the direct influence of Government departments as employers and the every syllable of Cabinet ministers' speeches, become directed towards an entirely new objective. The prime purpose in this field henceforth should be that of avoiding inflationary settlements instead of avoiding strikes. If a serious shift were made in this direction, then the economic crisis of 1961 could yet prove to be a moment of real recovery in Britain's affairs; otherwise the long-awaited performance that is supposed to save the pound will once again be one of Hamlet without the Prince, and with Mr Selwyn Lloyd being cast in foreign eyes as yet another grave-digger.



Mr K Goes Conventional

The Soviet policy of military retrenchment has lasted just eighteen months. But Mr Khrushchev may still hope to return to it



WITHOUT doubt the "prolonged applause" that greeted Mr Khrushchev's speech in the Kremlin hall on July 8th was genuine. He had just announced that the reduction of the Soviet armed forces was suspended, and that the current year's defence budget would be stepped up by a third; and he was addressing an audience of graduates from the military academies. From the civilian public of the Soviet Union, in private, a quite different reaction might be expected. By any standards, Mr Khrushchev's announcement is startling. True, budgetary defence expenditure is not an accurate yardstick of the whole Soviet military effort. It is, however, a rough guide; and a third, at one blow, is a big increase. Ordinary Russians can have received the news only with the familiar worries about the relationship between guns and butter. Outsiders have to ponder whether the measure is really "temporary," as Mr Khrushchev suggested—or whether it marks a turning point in post-stalinist history.

Stalin's successors laid less emphasis on direct military expenditure than their master had done. Nobody can accuse them of having neglected defence; but, surveying the field of national and world policy after the autocrat was gone, they did conclude that Soviet—or communist—aims could also be furthered, and probably better served, by other methods as well. Thus, the relative share of defence declined year by year in a fast growing national income. Technological change, and particularly progress in rocketry, next made it possible, and indeed necessary, to release to the economy some of the masses of manpower tied up in the conventional forces. An important step in this direction was taken in January, 1960, when Mr Khrushchev proclaimed the demobilisation that he has now suspended. Within two years, he then promised, the Soviet armed forces would be cut from 3,623,000 to about 2,400,000; and other reforms would follow. Marshal Malinovsky revealed on the same occasion that the 1,200,000 men thus returned to civilian life would include no fewer than a quarter of a million officers.

Mr Khrushchev could plausibly claim, when he announced that reduction in military manpower, that it would in no way diminish Russia's striking power. But the special stress he put upon the point left little doubt that he was answering critics at home. It was equally obvious who some of these critics were: the officers threatened by the axe and their spokesmen, the marshals clinging to their big battalions. Barely two years after Marshal Zhukov's fall, however, the service commanders were not strong enough on their own to put effective pressure on Mr Khrushchev. That he took

their resistance into account at all was a sign that they still had powerful allies within the party hierarchy. The communist leaders who viewed Mr Khrushchev's policy towards the western powers sceptically were to be found in Moscow as well as Peking.

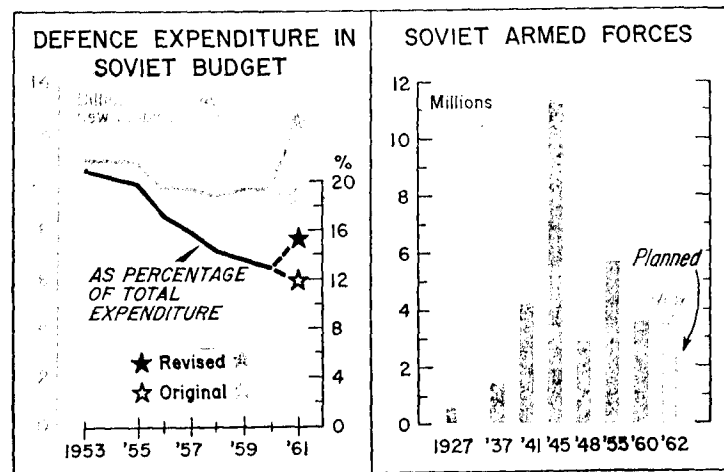
Four months after the January gesture of appeasement, Mr Khrushchev's co-existentialist line suffered its first major setback with the U-2 affair and the fiasco of the summit conference that never opened. In the period that followed, while Moscow and Peking were throwing hardly veiled accusations of heresy at each other, it was difficult to tell where the pendulum of communist policy would come to rest. An attempt to fix it was made in Moscow in November, at the gathering of the 81 communist parties. The final declaration suggested that a tentative compromise had been reached: Mr Khrushchev promised to show more revolutionary zeal in the uncommitted countries in exchange for a reluctant blessing on another attempt to come to terms with the new American President. As a proof that the door was being kept open for negotiation, the Berlin issue has been kept for months in a curious state of suspension.

DECEMBER's Moscow manifesto did not end the tug-of-war within the communist world. Evidence has been piling up recently of renewed Chinese pressure. Mr Khrushchev himself has, finally, warned the western powers that the Berlin dispute will have to be settled this year. In Russia, military commanders have been coming back into the limelight—for instance, last month in the celebrations of the anniversary of the German invasion, when Mr Khrushchev put on his military uniform, no doubt for symbolic reasons. Last Saturday's announcement is, thus, not entirely a surprise. One may even deduce what the arguments of Mr Khrushchev's critics have been from those he is now using to justify the reversal of his policy. The talk of increased defence preparations in the United States and in west Germany must have weighed heavily in the argument.

Once again—as in January, 1960, but in reverse—several factors have combined to precipitate the latest Soviet decision. Politics and strategy are here strongly mixed. Mr Khrushchev has just warned the western powers that a frontier clash in Germany carries a strong risk of turning into a nuclear conflagration. He added that such a war would spell the doom of capitalism, implying—without much evident justification—that the communist world would somehow be spared. But,

for all his boasting, the Soviet leader presumably does not want to be compelled to have recourse to ultimate weapons in case of minor incident. Whether to outface the western powers in a contest of bluff, or actually to meet a challenge from them on the road to Berlin, Mr Khrushchev now feels he needs the battalions as well as the nuclear armoury.

The new move springs from such considerations. Not all the extra money will be spent on conventional divisions; certainly a budgetary increase of a third is much more than



would have been required simply to pay for the upkeep of existing standing forces (how many have actually been demobilised so far is not known). Last Sunday's display at the Tushino airport was a deliberate demonstration of Soviet air power. Major Gagarin's presence in London is a personal reminder of the effort that Soviet rocketry represents. There will be no slackening in these fields; quite the contrary. But whereas eighteen months ago Mr Khrushchev was foreshadowing the end of conventional armies, he has now changed his mind. In Russia, as in the United States and elsewhere, the advocates of conventional forces have lately scored points against the press-button strategists.

It can be argued that Mr Khrushchev is trying to kill two

birds with one stone. He wants to impress foreigners with his earnestness about Berlin and simultaneously to reassure his officers, threatened with the axe, and their political friends. Yet he gives the impression at any rate of throwing his stone with some reluctance. Not only did he, in his speech, present the new measure as provisional, pending a new decision. But, over the heads of the military graduates, he repeatedly urged President Kennedy, General de Gaulle and the Prime Minister to a conference. There, he suggested, they could discuss not only the future status of Berlin but also such topics as the Rapacki plan for a zone free of nuclear weapons in Europe. Mr Khrushchev's reluctance is natural. It was on the policy of smaller armies and more economic drive that he himself staked his reputation.

Even in his Saturday performance, Mr Khrushchev again attempted a calculation of when Soviet industrial output (estimated by him now at 60 per cent of the American) would exceed the United States level. He has not abandoned his economic challenge. Indeed, the challenge is likely to be reiterated in the new party programme, to be presented to the Russian public within two weeks. This is to be a grandiose document, tracing the uncharted road towards communism. The signposts on the road are to be economic.

Thus the heavier defence burden does not mean that the Soviet Union is abandoning the economic course it has set itself. But it does, and must, mean that the pace of advance is going to be slower as long as the "provisional" increase in the burden lasts. Mr Khrushchev may be hoping that the threat contained in his new defence programme will bring his western opponents to a conference; blackmail it may be, but it is a hope as well. From such a conference he could hope to return with something or other gained, to announce that, because of his diplomacy from strength, the alarm was over, and to revert to the course of January, 1960, with his critics confounded. This may be Mr Khrushchev's hope. It does not follow that events will obligingly conform. Nor does it imply either the abandonment, or the revision, of any basic Soviet aim.

Are party whips increasingly, or decreasingly, important figures in the current political scene?

Chief Whip and assistants. It is a general rule among wise parties that their whips should be people who are not personal anathema to whips on the other side, so that the "usual channels" of Parliament should not become unnecessarily blocked. This year, in spite of the strains caused by such incidents as Labour's filibusters against Mr Powell's health charges, this tradition seems to have been very civilisedly maintained.

Secondly, the Government Chief Whip holds the office of Patronage Secretary, and is thus theoretically the source of the honours that help to sweeten the lot of the party workers in the country, as well as relieving the frustrations of those in the House. How far he really is such a source in these days, when the party's central offices have become great bureaucratic machines, and when ministers have so many other means of picking out promising youngsters, is open to argument. But the view that Government Chief Whips play a major part in recommending aspirants for minor office is important in giving

them some of their power. And one source of patronage in the hands of both whips' offices which certainly is increasing now is the allotment of places on parliamentary delegations for pleasant and interesting trips abroad.

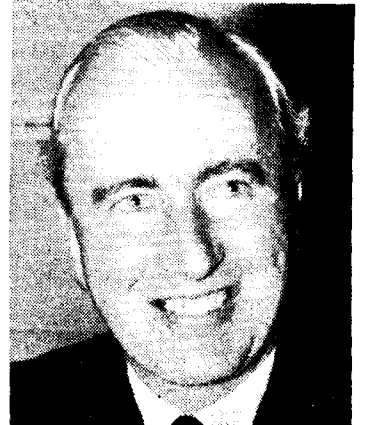
The third function of the whips—and one which the present Government Chief Whip, Mr Martin Redmayne, has called their most important—is to act as an intelligence service for the party leaders about the viewpoints of backbenchers. This is always regarded as especially important under a Tory Government. When the Labour party is in office Labour ministers continue to attend party meetings. Conservative ministers do not. Tory Cabinet leaders are therefore largely dependent on the whips to interpret the mood of the party. Because MPs and parliamentary journalists are always eager to report that cabinet ministers need to keep in close touch with the mood of their backbenchers all the time, a whispered tradition eventually grows up around every chief government whip that "he is a much more important figure in the counsels of the Government than outsiders suppose." Conservative Chief Whips, in particular, are always going to be the next-Prime-Minister-but-three. But among the most obvious recent examples the last Tory Chief Whip-but-two, Mr Buchan-Hepburn followed Belloc's parody about next-Prime-Ministers-but-three almost exactly. He never rose higher in the cabinet than Minister of Works, and has now gone off to be Governor-General of the West Indies as Lord Hailes. It remains to be seen whether his immediate successor as Chief Whip, Mr Heath, will scale the highest pinnacle now that he has gone into the cabinet, or whether he too will find the old obstacles in his way: some professional observers argue that the jolly, politicking, ear-to-the-ground activities of a Chief Whip, besides being apt to make some enemies among existing senior ministers, are not always the best training ground for very senior ministerial office where decisions have to be promptly taken.

THERE remains the third function of the whips, and the one that the public hears most about: that of maintaining party discipline and party leaders' morale by making sure that as many members as possible vote in each division. The whips summon members to vote by one, two or three line "whips." A single line whip is merely routine: a two line whip carries an obligation to vote unless paired: and absence from voting on a three line whip is excused only on the most serious grounds. In securing obedience to these instructions, information, persuasion and bullying are nicely mixed.

Information from the whips about how to vote obviously causes no heart burning, although sometimes one feels that it would be better if the information given to whipped MPs were a bit fuller. During the passage of the Milford Haven Bill, which provided government aid for the reconstruction of that port, one Tory MP was heard to complain about the number of divisions he had been dragooned through "just so that that young man can marry Eva Bartok." It is when information shades into attempted persuasion, or something more, that discontent arises. There have been distinct signs of such discontent with the Government whips in Parliament's present session. In April, 67 Tory members defied the whip and voted for a proposal to re-introduce birching. In May, 7 members voted in favour of Mr Wedgwood Benn's being heard by the House. Only one member voted against the Government's



Labour's Mr Bowden



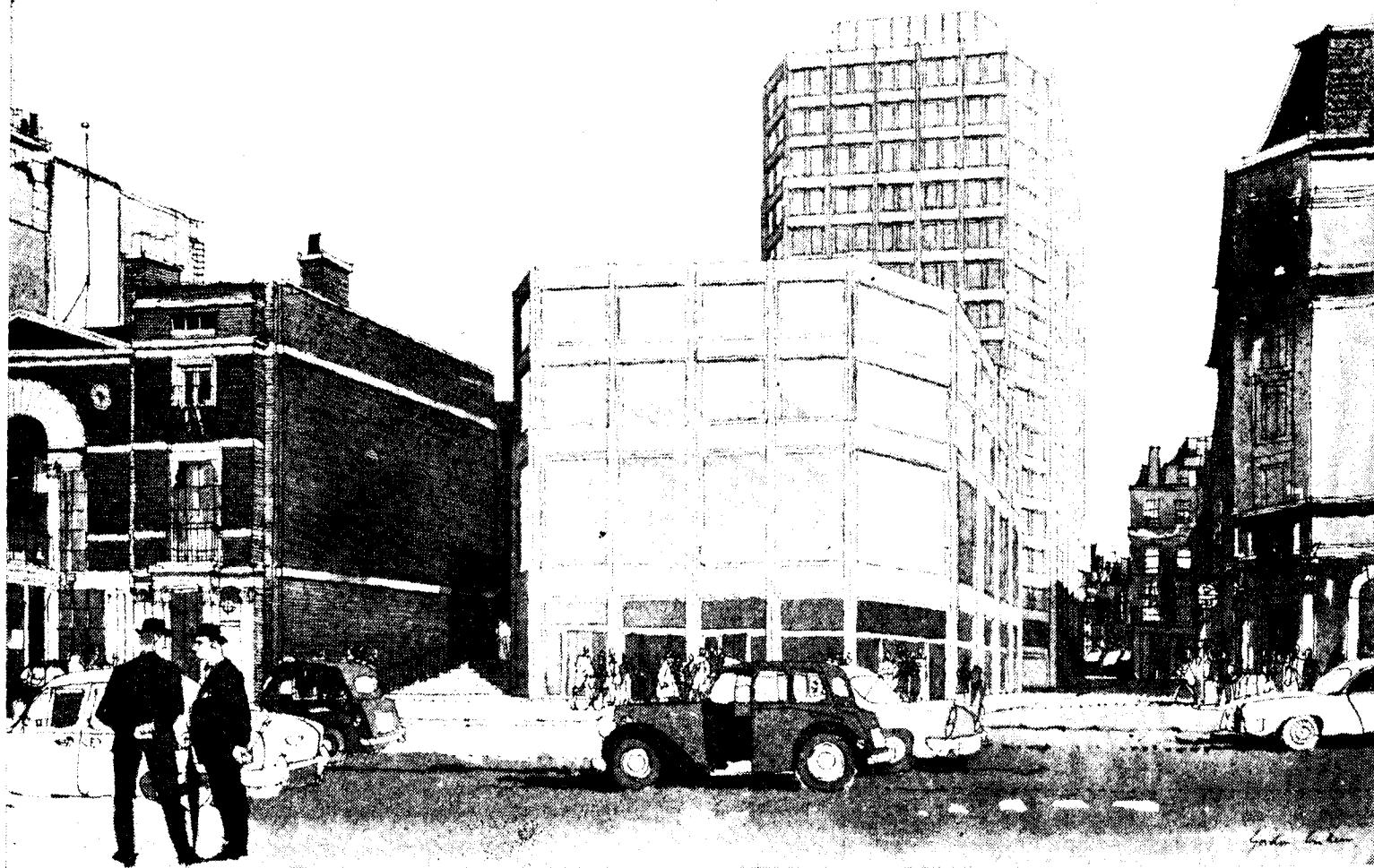
Conservatives' Mr Redmayne

proposal to pay an £18 million subsidy for a new liner in place of the Queen Mary, but three members deliberately abstained, at least 60 were absent without pairs, and the Government majority fell to 46. During the committee stage of the Finance Bill 13 Tories came out against the Government about Schedule A. Last Wednesday two more voted with the Opposition after the Welsh leaseholds debate.

The initial reaction of the Government Chief Whip, Mr Martin Redmayne, to these signs of rebelliousness was sharp. Members were carpeted and parliamentary private secretaries warned that if they voted against the Government they were liable to lose their jobs. This schoolmasterly astringency caused further resentment among Conservative backbenchers, epitomised in Mr Humphry Berkeley's tart remark that "six mildly rebellious backbenchers are of more value to a favourable Conservative image than 100 faceless men, however obedient." Mr Berkeley, one of the abler younger members returned in 1959, has voted against the Government three times in the last three months.

Since 1955 126 new members under the age of 45 have entered Parliament, but only a handful have obtained office. The rest—especially those who have been in since 1955—have grown increasingly restive. In these circumstances the Tories would make a great mistake if they put their most spirited young colts too fiercely under the whip. However appropriate rigid discipline may have been in the 1951 Parliament when the Government majority was only 17, it is singularly inopportune with a Government majority of over 100. Allowing members to vote against the Government on minor issues—and all the issues have been minor—far from weakening the party, provides it with a necessary safety valve. Nor does it harm the party in the country where constituents like to see an independent member thinking for himself (on minor issues) rather than acting as a voting machine.

On a major issue of confidence, or on any division where the rebels' real object was to break up the existing structure of their party, quite different considerations would prevail. There is no parallel between the five Labour members who defied their leaders in March over defence and were rightly suspended from the parliamentary party, and the small specific revolts of the present Conservative malcontents. What is needed now in the Patronage Secretary's office is unworried tolerance. Two of the Tories who rebelled on the Schedule A vote were parliamentary private secretaries, but they were not made to resign so it looks as if the lesson may have been learned.



A new home for The Economist

THE ECONOMIST and The Economist Intelligence Unit are planning to build a new home for themselves on the site in St James's now occupied by the present main office and by some adjoining buildings. Consent has been given by the London County Council, and, subject to one or two final negotiations, it is hoped to begin work in June 1962 and to finish early in 1964. The contractors will be Sir Robert McAlpine & Sons.

The site to be developed is shown on the plan. In addition to the present building occupied by *The Economist*, it includes three buildings on St James's Street, one on Ryder Street (all of nineteenth-century construction) and three eighteenth-century brick houses in Bury Street. On the St James's Street side, the boundaries of the site begin at (but do not include) Boodle's Club, which, with its bow-window, is perhaps the best-remembered landmark of the street. They go down to the corner of Ryder Street, along that street to its junction with Bury Street and then some fifty yards north, taking in some of the back quarters of Boodle's Club. The whole site is held on Crown leases; its acquisition, involving negotiations with the head lessees and tenants of the seven buildings concerned, has necessarily been a lengthy business in which our surveyors, Messrs Collins & Collins & Rawlence, have guided us with patience and skill.

The plans to deal with this site have from the start been governed by two considerations. First, the greatest care should be taken to ensure that any new building fits in with its neighbours, and, in particular, that the general aspect of St James's Street is not damaged. This is almost entirely a matter of proportions. The individual buildings of the street include few that are really good,

and some that are downright hideous. If the street as a whole is one of the most satisfactory in London, that is a function of the ratio between its width and the general height of the buildings that line it. But, the proportions having been preserved, the second principle was that there should be no fake antiquarianism. There should be an attempt to produce a building or buildings expressing the contemporary era, and designed to take advantage of the latest technological developments.

It was also desired, other things being equal, to give an opportunity to a British architect whose work has not yet had the chance to become widely known. This was not conceived of simply as a piece of artistic patronage. The complications of modern construction produce the double result that the work of successful practitioners rapidly degenerates into salaried team-work, and that it is very difficult for fresh ideas to break in. We thought we stood a better chance of getting a building thought out afresh from first principles by going to an architect who represented himself and not a large office. After the most careful inquiry, the husband-and-wife team of Alison and Peter Smithson were appointed. Mr Maurice Bebb, who has been involved as our architectural adviser right from the start, has been appointed as associated architect.

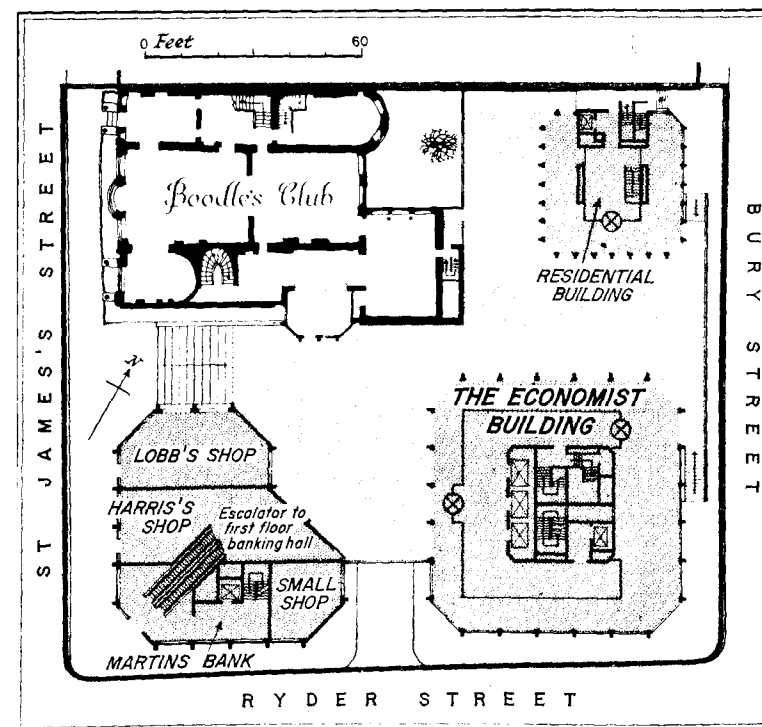
The plans that Mr and Mrs Smithson have produced have won our enthusiastic acceptance; they have been approved by the Crown Estate Commissioners, the London County Council, the Royal Fine Art Commission and, not least, by those whose premises will be affected—Boodle's Club, Martins Bank, Messrs Lobb and Harris (both well-known St James's names) and others. It would be absurd to suppose that they will be to everyone's taste;

but we are confident that they admirably serve the triple purpose of providing *The Economist* with a handsome and efficient home, of making use of the site to the best economic advantage, and of making a worthy, and novel, contribution to the civic architecture of London and the town landscape of St James's.

In all urban development nowadays, the governing consideration is the permitted plot ratio—that is, the ratio of the total floor area of the buildings to be erected to the area of the site on which they are built. In this case, the permitted ratio is 5 to 1. In theory, the whole site could be covered with a building five storeys high. Or the same amount of floor area can be provided by going up high on one part of the site, leaving the rest free, in which case the possibilities are further restricted by the angles of light to neighbouring buildings and by an overall height limit. Mr and Mrs Smithson's plan makes a decided choice of the latter alternative. Not only does this make it possible to lift up a good proportion of the accommodation provided to where it will enjoy unrestricted light, but it also makes it possible to open up a large part of the site for use as a small *piazza*, open to the public.

The penalty of such a plan (if indeed it be a penalty) is quite a high tower. This has hitherto been thought alien to London. But opinions are changing very rapidly; and we believe it will not be long before the double advantage of space at ground level, and of light up above, produce a complete revolution in the accepted canons of British urban architecture.

Not all the space could, however, be put into a single tower. For one thing, there would not be room for it within the light angles and the height ceiling. For another thing, we wanted to do our duty by St James's Street. The plan as finally developed therefore provides for three separate buildings. One of these is to be at the corner of St James's Street and Ryder Street. This building has been carefully designed to be neighbourly to Boodle's Club, not merely in its overall proportions but in the balance of its elevation. It would be fatuous to reproduce the eighteenth-century decoration of the façade. But the roof line continues that of Boodle's (which will be a great improvement on the present line) and a *piano nobile* has been introduced to provide another factor of continuity. This creates the opportunity for a fine first-floor banking hall for Martins Bank Ltd., to be approached by escalator from an entrance at the corner. We are confident that by rescuing Boodle's from its



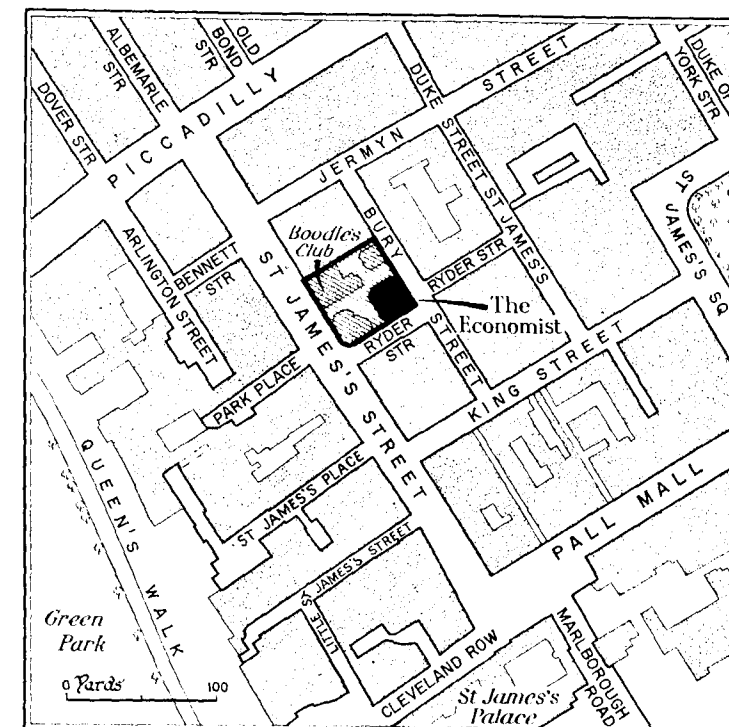
present submersion between much higher buildings on either flank, the plan will be judged a distinct improvement.

Between this first building and Boodle's Club there will be a short flight of steps leading up to the *piazza*, which will extend all the way through to Bury Street. This open space will not be large—indeed, no more than a *piazzetta*—but it will be larger than is apparent from either the plans or the model, since the other two buildings will be raised above it on stilts, and the vista will continue beneath them.

The large tower, at the corner of Ryder Street and Bury Street, will rise for 14 floors above the entrance level. But the floor of the *piazza* is also the roof of another storey which, at Ryder Street, is at street level (the ground falls away to the south). The total height of the building is therefore 16 floors above street level, with a basement beneath. In spite of its height, this tower will be visible from a stretch of only 60 yards in the total 380 yards length of St James's Street itself. In plan, the tower is to be octagonal—or more accurately, square with chamfered corners. Each floor is designed to provide a ring of offices round a central core. Apart from lifts, staircases and lavatories, no part of the building will be more than 18 feet from a window. There will be no inside rooms and no dark corners whatever. *The Economist* and The Economist Intelligence Unit will occupy the greater part of this tower building, but a few floors will be available for letting.

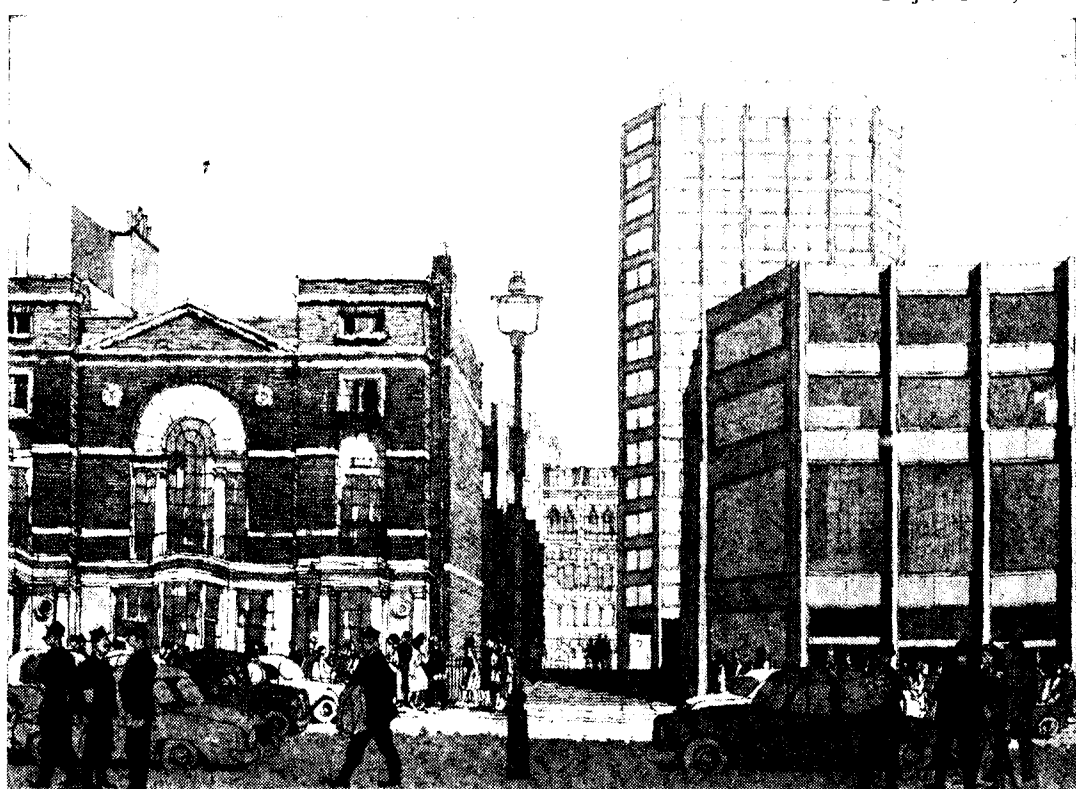
The construction is to be of reinforced concrete, but the visible portions, especially the prominent vertical ribs, will be of Portland stone, Roach bed. Whatever it may be in plan and elevation, therefore, in colour and surface texture the building will look much more like the traditional London than if it were to be built of steel and glass. It is intended that the building shall be fully air-conditioned and the windows will not be designed to open, except for cleaning. There is no climatic case for air conditioning in London, but we believe that the arguments for it on the score of quiet and, above all, of cleanliness are decisive.

The third building, at the north-eastern corner of the site, is designed as a miniature version of the tower. All its major horizontal dimensions will be exactly half those of the larger building and it has been conceived as a link between the tower and the street architecture of Bury Street. The basement of this building will provide a Ladies' Annexe, and the first three floors residential



chambers for Boodle's Club. The remainder of the building is designed as flats, to meet the "residential component" insisted on by the town planners.

For us at *The Economist*, this whole scheme has been, and still is, an adventure. The present point, when matured and approved plans can be presented to the public, is just about the halfway stage in a process which, from start to finish, will have lasted about six years. So far, our efforts have enjoyed the sympathetic co-operation of all the persons and institutions who have had to be called into consultation. Now we come to the stage when we must hold our breath while plans are converted into reality. We trust that our readers, our neighbours and Londoners in general, as well as ourselves, will be pleased with the result when they see it.



NOTES OF THE WEEK

KUWAIT

Order of Going

GIVEN the relatively imposing size of the force that the War Office decided was necessary to defend Kuwait against the Iraqi threat, the gradual withdrawal of troops, now in process, is no more than a continuation of a successful military operation. The crux comes when a token British force is left, and it is no longer possible to postpone a decision whether to replace it with some less contentious group of observers. Whatever may have been General Qasim's original intention—or vaguer hope—Iraq has now patently put aggressive designs to one side. On the other hand, while the Iraqi claim is fresh in the air, and unrenounced, it is reasonable for the ruler of Kuwait to demand positive evidence of international, or better still Arab, support for his country's independence.

If the various public statements that have been made in these ten days were taken seriously, most of the ways out of this dusty tangle would be blocked. At his press conference on July 6th, General Qasim reaffirmed that Kuwait was an indivisible part of Iraq, adducing as part evidence that Iraqi postal services existed in Kuwait until June, 1941. The Kuwaitis have declared that their state's admittance as a member of the United Nations was a precondition of their agreeing to the withdrawal of British troops. The United Arab Republic has said that

the British evacuation must come first. The Security Council meeting ended on July 7th in deadlock, with the mild British resolution affirming Kuwait's independence vetoed by the Soviet Union, and a rival resolution calling for an immediate British withdrawal supported only by Russia, the UAR and Ceylon.

In fact the diplomatic knots are far less tightly tied than this tangled spinning of propaganda would imply. The British have made it plain that they want to get out of Kuwait as soon as they can, and the ruler is far too shrewd a statesman to stand in their way. With a little ingenuity, the problem of timing can certainly be solved, especially since President Nasser has already shown considerable subtlety in his handling of the affair.

One of the significant questions now is whether the remaining British troops should be eased out by a United Nations group, probably composed mainly of Arab soldiers, or by a group under the command of the Arab League defence council. On the past history of the league, most people understandably place more confidence in the United Nations. On the other hand, if the league is not to be written off, there are good reasons for giving it, now, a chance to prove itself. At the League's meeting on Wednesday, the UAR is believed to have

come out roundly in favour of a purely Arab force—with the diplomatic proviso that no troops should be drawn from countries sharing a frontier with Israel. This not only short-circuits Iraq's outrage at the prospect of Egyptian soldiers in Kuwait but also draws attention back to what the Arabs believe to be their common danger. Kuwait, for its part, if it is to have any enjoyment of its independence, has to regulate its relationship with the Arab League; and the Kuwaitis are aware of this. A Kuwaiti delegation is at present visiting Cairo and other Arab capitals. Behind the scenes, some meaningful deals may be going on that, in the end, may benefit not only Kuwait but some of its financially less fortunate neighbours.

EUROPE AND COMMONWEALTH

Kinds of Cwthmanship

THE contrast between the results of Mr Sandys's visits to Wellington and Canberra is striking. Though New Zealand sends two-thirds of its exports to Britain, its ministers agreed, in the final communiqué, that they "would understand it if, after considering the views of Commonwealth countries, the British Government should open negotiations with the European Economic Community." They emphasised, it is true, that they "could not at

present see any way of protecting New Zealand's vital interests other than by the maintenance of unrestricted duty-free entry" to the British market. But they agreed, all the same, "to examine alternative methods for protecting New Zealand interests in the course of the negotiation." This positive result is a tribute not merely to Mr Sandys's power of persuasion, but to Mr Holyoake's ability to take a long view. His loyalty to Britain and to the Commonwealth idea takes the honourable form of a willingness to make sacrifices and adjustments when a vital British—and with it Commonwealth—interest is at stake.

Australia, by contrast, has much less to lose. Something like a quarter of Australia's exports come to Britain and of these nearly half may be unaffected. Only some 15 per cent of Australia's current exports would run risks if Britain joined, and hence would have to be fought for in negotiation. Yet Mr Menzies seems to have joined the no-men, opposing any British move to join. As our Canberra correspondent points out on page 258, elections are in the offing. But whatever the tactical considerations, Australia's strategy remains hard to fathom. Drawing, as it does, a growing volume of immigration from the Continent (which it is trying hard, and desperately need, to increase); and turning increasingly, as it is, to other markets, it can hardly believe that the Australian future can be sustained exclusively by a Britain cut off from Europe. Defence, politics, economics and demography all make it a natural appendage of a future Atlantic community, distant in geography but close in everything else. Mr Menzies must know this perfectly well; why, then, the display of obstruction?

In Asia Mr Thorneycroft's persuasive progress continues to make much less din. Naturally enough all the Asian countries continue to press for markets for their jute, tea, and cheap manufactures. But in Pakistan, as well as in Malaya, Mr Thorneycroft has been rewarded by clear support for a British initiative. Delhi, which he reached on Wednesday, is his most important port of call, above all for political reasons. Mr Nehru has to be persuaded that the Commonwealth can only play the part of bridge between races and continents if the bridge-head in the west is broad.

Conditional Surrender

DESPITE the grumblings from Canberra and Ottawa the British Government may yet be in a position to announce a decision to seek negotiations with the Six before the end of the month. The meeting of the Council of the seven-power Western European Union on August 1st, suggested by the Six this week, could therefore be timely. The meeting is in a sense a routine one; the six common market heads of government—whose meeting has been twice postponed—are now expected to gather in Bonn on July 18th. A meeting of the WEU Council afterwards has been expected

for some time. But obviously this one could provide a special opportunity to discuss British participation both in the common market, and in any new political arrangements the Six may agree on.

Further encouragement for a British move came on Tuesday from M. Monnet's Action Committee for a United States of Europe, which renewed its urging that Britain should join the common market. M. Monnet's group are particularly anxious that the British should move fast. They regard the British move to join as the key to an accelerating process of integration throughout the west. Once Britain were to join, they argue, new arrangements for pooling currency reserves in Europe—of great value to both the sterling system and the West generally—might be made. (The background to these is discussed in an article on page 259.) More generally, integration on an Atlantic basis might get swiftly under way.

For the sake of speed these Europeans inevitably hope that Britain will not approach the community with too many detailed demands on the Commonwealth's behalf. Their preference is for general institutional guarantees, leaving the details to be worked out later. It is true that in temperate agriculture there are limits to what can be negotiated beforehand when the agricultural policy of the community is still not settled. But on some specific matters, despite the gloomy stories being spread in London, the French government, and for that matter "European" circles in Paris, do seem prepared to be more specifically helpful. Against these evidences of more helpfulness—concerning, for instance, British Africa, New Zealand, and the possible re-negotiation of certain items of the common tariff—President de Gaulle's statement of July 2nd that Britain must join "without conditions" is perhaps misleading.

DEFENCE SPENDING

The Overseas Bill

BRITAIN'S rising military expenditure overseas (which has gone up from £163 million in 1957 to £215 million last year) has earned a long, hard look from the Chancellor in his search for economies. Mr Lloyd may have some of the more dispersed, and militarily questionable, garrisons in mind. And if he decides to ask awkward questions about Hong Kong, it will do no harm at all. But although the Ministry of Defence takes a devious pride in the multiplicity of its commitments and fire brigades around the world, the basic problem is not one of the services' own making. The decision to abandon conscription and rely on attracting sufficient men into a professional army in conditions of full employment has necessarily compelled the services to embark on a series of major constructional programmes for new accommodation

—including quarters for married men, hospitals and other modern amenities overseas. This has been particularly noticeable in the past three years:

MILITARY CONSTRUCTION OVERSEAS

	(£ millions)		
	New services to be started in year	Money voted in year	Money voted for new accommodation
Army:			
1959-60	17,026	6,700	5,055
1960-61	20,352	9,110	7,678
1961-62	35,268	14,300	11,698
Air Force:			
1959-60	10,080	5,250	1,445
1960-61	16,579	8,475	2,367
1961-62	18,138	10,230	3,662

This doubling of expenditure is by no means excessive in the circumstances: recruiting figures would be worse if it had not taken place, and the cost to the economy of reintroducing conscription would be much bigger. The chief obligation on the services is to see to it that their new buildings are going up in the right places. What, for example, is the estimated political life of the expensive new quarters under construction in Kenya? Mr Lloyd should make a fuss here.

The other major factor in the Chancellor's calculations is the cost of maintaining the British forces in west Germany, estimated to be some £60 million a year. The final west German payment of £12 million of support costs has been made and no more is forthcoming. Under the Paris treaty of 1954 Britain undertook a military commitment that has to be honoured, except in exceptional economic difficulties. While the Chancellor may be anxious about the additional sterling drain caused by the revaluation of the D-mark, he should also blanch at the prospect that would open up if (assuming the worst) Rhine Army had to be called home and rehoused in anything like the quarters that the German taxpayer has, in effect, provided for it. Since the American Treasury has also been disturbed by its military spending in Germany it is conceivable that Mr Lloyd may eventually benefit from a general inter-allied arrangement. But the immediate economies in Germany that are possible, or desirable, look small indeed.

MAJOR GAGARIN

Mr K's Ambassador

YURI GAGARIN is a personable, resplendently uniformed and well-mannered young Russian who is also the first human being to have escaped from and orbited our planet. This has been more than enough to make him the visitor of the week, if not of the year. During his rapturous stay he has contrived to add respect for himself as an individual to respect for his country's scientific achievement. He has appeared to be modestly shrewd (or shrewdly modest: it is difficult to tell in so short an acquaintance) in dealing with the press, and unaffectedly diligent in his diplomatic duties.

The acclamation that he has received in London and Manchester this week could not have been accorded to any other Soviet citizen. It is not in the least surprising that this shining ambassador of Mr Khrushchev's should now be detailed for similar triumphs elsewhere.

Major Gagarin's politics are not irrelevant to his present employment, but they have been irrelevant to the sudden popular impulse to lionise this particular young man. The qualities that have put his features on the front page of every newspaper are very far removed from those supposedly propagated by the rash of show business personalities and the trash of the gossip columns. He makes a change. If Commander Alan Shepard, of the United States Navy, likes to visit London at any time he will be no less welcome on the same terms.

The British authorities took a knocking earlier this week for their initial lack of enthusiasm over a visitor whose intended arrival seems to have caught someone palpably off balance. The eventual amends, in the form of an invitation to Buckingham Palace on Friday and a meeting with the Prime Minister at Admiralty House, have in fact been handsome. Even the most censorious cannot have expected Mr Macmillan to trail out to the airport to make an astronaut's holiday; he has certain other tasks to perform, in running the country. But if other people's plans could be adjusted to receive Major Gagarin, could not Lord Hailsham's have been on Tuesday morning?

FRANCE

General Riddle

IF President de Gaulle's television address on Wednesday contained nothing that was altogether new, it did make plain the direction in which his thoughts are at present moving. He spoke in a mellow mood of quiet confidence on the destiny of France, which he justified by a lengthy exposition of the country's economic progress—a grave rebuke for the peasant demonstrators, here—and a pat on the back for his ministers. Perhaps it is this serenity that is behind the new readiness to stiffen the western cause, on such matters as the defence of Berlin, with something more substantial than exhortations to be resolute. The recall of a division from Algeria to strengthen Nato is an encouraging event. So, in another way, is the announcement that the period of French national service is to be reduced from twenty-seven months to two years: this will weaken nobody, please many, and, by increasing the labour force slightly, will give an extra fillip to the French economy.

But it is impossible to avoid the suspicion that one topic to some extent determined the allusions to the others, although General de Gaulle dealt with it only briefly. All his visions of the future are dependent on a settlement in Algeria. Without an early

NOTES OF THE WEEK

one, what he can do even for Berlin is severely limited. Unfortunately there was no sign, in the condescending allusions to decolonisation, that he has yet understood what is required of him if he is to get his Algerian peace.

As his speeches during his tour of Lorraine showed, and as this one confirms, he understands so well the generosity of France's proposed scheme of "association" with Algeria, which involves a vast aid programme, that he fails to grasp the repugnance the Algerians feel to some of its details. Essentially, whether it is a question of the Sahara, the military bases, the status of the European settlers, a cease-fire, or recognition of the provisional government, the matter at stake is the full Algerian sovereignty for which the nationalists have fought for so long, and for which they are prepared to go on fighting. No proposals that seem to impair that sovereignty have a chance of being accepted; and it can only be a question of time before the sphinx of the Elysée, as the Tunisians call him, recognises this. But the riddle is, when?

GERMANY

An Unexpected Emigrant

WHILE the western powers have been answering Mr Khrushchev's proposals on Berlin in notes to the Russian government, Dr Adenauer and Herr Brandt have been publicly duelling on the subject in a fairly surprising way. On July 7th Herr Brandt proposed that the West should try and get away from the cold war by producing proposals on the German question as a whole. The West should be prepared to discuss the political and military status of a reunited Germany. It should propose a peace conference of 52 governments; representatives of the two German states could be consulted beforehand.

Holes can obviously be picked in this proposal. Except as a way of buying time, a peace conference of 52 states hardly looks a practical way of making progress over Germany. But in general outline Herr Brandt's idea has much to be said for it. For the West the only way of getting off the Berlin hook in the long run must lie through a serious discussion of the German question as a whole. And if such a discussion is to be fruitful, it will necessarily cover not only the character of a future German government, but the reunited Germany's alliances, armaments and frontiers.

Dr Adenauer's reaction, however, has been brusque and bitter: "Mr Khrushchev is anxious to hear just this sort of thing". If Herr Brandt became Chancellor, the best thing to do would be to emigrate to the United States, he told a rally of Christian Democratic women (discussed in its other aspects on page 260) on Monday. Thus Herr Brandt's suggestions, like most suggestions concerning the German question, are branded as dangerous appeasement.

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Some of the reasons for Dr Adenauer's attack are understandable in electoral terms. It is extremely irritating for him that Herr Brandt has been able to quote in support the suggestions for a German peace treaty made two weeks ago by Herr Gerstenmaier, the Christian Democratic President of the Bonn parliament. For once it is the Christian Democrats, more than their opponents, who look divided about foreign policy.

THE CHURCH

Self-Government?

THE system by which the state appoints the bishops, deans and certain other office holders in the Church of England has often before been under fire. Two fairly recent commissions on church and state—under Lord Cecil in 1935 and then under Sir Walter Moberley in 1952—recommended that it should be modified, and in 1954 the Church Assembly passed a motion calling for greater autonomy. Now, after the unfortunate affair of the Guildford deanery and in line with his own expressed desire for more autonomy for his church, the new Archbishop of Canterbury has promised, if the Church Assembly wishes, to co-operate with York in appointing a commission to consider all church appointments that are in the gift of the crown.

From the church point of view the present system is theoretically indefensible. It is made worse, not better, by the final "election procedure" by the cathedral chapter. The chapter is ordered by letters patent (*congé d'élire*) to hold an election which is quite free provided the candidate named by Downing Street is elected. The solemn farce by which the chapter prays for guidance to the Holy Spirit, knowing that if His promptings are different from those of the Prime Minister they can only be followed at the price of incurring all the penalties of *praemunire* (including outlawry and confiscation of goods), causes more offence to churchmen than anything else.

What can be put in the place of prime ministerial appointment? One suggestion is that a return could be made to the practice of the early church where clergy and laity joined together to elect their bishops. This method is used throughout the Anglican communion outside England. The Church of Ireland uses synods of clergy and laity to elect its bishops: the Church in Wales has special electoral colleges for the same purpose: the Protestant Episcopal Church in the United States uses synodal election subject to a veto (largely theoretical) of the house of bishops. But the drawback of the system is that mediocrities can tend to get entrenched in the lower levels of ecclesiastical as well as in political life, and might tend to elect others like themselves to high office. Moreover, such complete autonomy in England could probably be pur-

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chased only at the cost of disestablishment. A better solution might be to set up consultative bodies in each diocese to submit nominations to the crown when a vacancy occurs. The crown would be free to choose one of the names or in exceptional circumstances to reject them all and select another. This is the system used in the Roman Catholic Church where chapters send up three names to the Pope, one of which he normally accepts, but which on occasion he rejects, making his own appointment.

FYLINGDALES

In the Spidermen's Grip



On the wuthering heights.

A correspondent in Yorkshire reports:

THE construction of the early warning radar station on Fylingdales moor, near Whitby, where work stopped again last week, has been persistently disrupted by strikes and disputes. Although agreement was reached between the contractors and the steel erectors' union on Tuesday, under which talks are to go on at a site conference next week and the 72 erectors who were dismissed have been reinstated, this need not be the end of the story. The men say they are dissatisfied over bonus payments and safety conditions. Five of them had been dismissed for refusing to work 100 feet up in the high wind that often sweeps across the moors; when the remainder came out on a protest strike they were sacked too. The management claims that the bonus scheme previously agreed to by the men allows for earnings of up to £32 a week. (The men say that the scheme is too complicated, but it is a safe assumption that they really want more money.) To add insult to supposed injury the British spidermen's complaints about the wind-force on the moors have been dismissed as thoroughly namby-pamby by visiting American constructional engineers.

Fylingdales is an Anglo-American project with a fixed (though undisclosed) date for

completion. The United States is bearing £35 million of the cost and Britain £8 million. The station is part of a missile detection system linked with other posts at Clear in Alaska and Thule in Greenland—both of which have been completed. Delay at Fylingdales caused by a week's stoppage in April led to questions in the Commons, and Government assurances were given that the station would be completed on time. The pace was speeded up, but by the beginning of this month there had been no fewer than six strikes or stoppages by the men.

The spidermen are not alone in making difficulties. The use of the site itself, occupying 2,800 acres in the North Yorkshire National Park, has been bitterly opposed. Housewives have organised petitions, farmers, rambles, local councillors and everybody with a yen for the moors have protested. But a wooden town to house about 1,500 workmen has sprung up, though only a quarter of that number are yet on the site. When, and if, construction is completed, towers supporting three antennae, each weighing 175 tons and encased in plastic spheres, will stand 200 ft. above the ground. It is a matter of minor relief to the authorities that the labour troubles among the steel erectors have not, so far, spread to labour employed by other contractors.

TURKEY

A Step towards Democracy

BEFORE the referendum on the new Turkish constitution, held last Sunday, General Gürsel and his colleagues stoutly maintained that it was an essential step in their country's return to a western-type

democracy. One hopes that they do not now regret their idealism. For the provisional unofficial returns show that some quarter of the electorate abstained, and that of those who voted, about a third voted No. This is far from the overwhelming approval for which General Gürsel had hoped and asked.

The military regime might understandably have expected a more enthusiastic response. Whatever its faults, the new constitution has been carefully drawn up with the object of preventing the abuses of power which the Menderes regime managed to get away with; it introduces, for example, both a second legislative chamber, and a special court for determining whether or not laws are constitutional. And energetic efforts have been made both by members of the National Unity Committee—many of whom have been touring the country—and by most of the press and the political parties to arouse enthusiastic approval for the constitution. A good many Turks, however, are not convinced that it was either necessary or right to overthrow Mr Menderes. For all these, last Sunday's referendum was the first opportunity they have had of registering their disapproval of the military coup.

That so many feel this way is discouraging to those who hope that the present regime may lead Turkey back in good order to representative institutions. On the credit side, the referendum was evidently fair and secret; the voters felt able to vote as they pleased; and the government has apparently attempted neither to tamper with the results nor to disguise them. In short, the Turks have in fact taken a step on the road to democratic government, and General Gürsel deserves credit for it. What matters now is that he and his colleagues should have the courage and steadfastness to pursue the admittedly difficult course they have set themselves.

The Economist

JULY 13, 1861

FINANCING EDUCATION

THE expense of a local outlay from the Imperial revenue has always been an object of dread and apprehension to the Chancellor of the Exchequer as far back as financial tradition extends. He has always had a dread of defraying the special wants of a district in any other way than by a special tax on that district: he has always been aware that those wants would increase with what they fed on, if that food were provided from a distance. This has been felt even as to the most definite and palpable of wants—the subsistence of the people. The late Mr Ricardo laid it down amidst general applause, that nothing but the local check of local taxation had prevented the burden of the poor rate from becoming greater than even we, rich as we are, could bear. Much more would this be the case with the most metaphysical, indefinite, impalpable of wants—education—a want which no two persons will agree in limiting in the same manner.—a want

which is in reality vague and infinite. We might spend untold millions from the Imperial revenue, and yet be told after all that the nation was not educated; that it was only half educated; that we had spoiled the coarse natural man, but had not produced the refined and cultivated man; that we had spent our money with no result, or with a poor result, and, as the most eloquent of our opponents would be sure to say, with a pernicious result. And in all probability we should not have achieved anything very beneficial. A delicate, diffused, undetectable, or nearly undetectable quality, such as the education of a people, peculiarly requires local care, local energy, and local superintendence. Unless you interest the persons on the spot in the work to be done on the spot, the funds which are sent from London will be wasted, and the superintendence of London will be unavailing.

Mr Popovic in Moscow



THE visit of Mr Koca Popovic, the Yugoslav foreign minister, to Moscow this week, may have made no great splash, but it is safe to assume that both guest and hosts regarded it as of particular importance. Official relations between the two countries have been steadily improving in recent years; and although on occasion the Yugoslavs have shown a sturdy independence of the Soviet line, there are several important international issues, such as disarmament and Germany, on which their views are very close to those of Moscow. Yet in the talks this week both sides will have had grievances to air.

On the Yugoslav side there is growing irritation at the persistent, if intermittent, attacks by the other communist countries not only on Yugoslav "revisionism" but on all things Yugoslav; China and Albania are the worst but by no means the only offenders. In a speech at Titovo Uzice last week, Marshal Tito—no doubt with an eye on Mr Popovic's imminent visit to Moscow—expressed his irritation with unusual frankness. He complained that not only were China and Albania waging "the most violent cold war" against Yugoslavia, but that other east European countries were trying to damage and traduce his country under the cloak of an ideological struggle.

What seemed to upset Marshal Tito most—and he was quite open about it—was the effect that this anti-Yugoslav propaganda might have on other "friendly" countries, by which he no doubt principally meant the uncommitted countries of Africa and Asia. But the Russians who always have been, and still are, worried about the effect of Yugoslav revisionist heresies on other communist parties, are now also greatly exercised by the effectiveness of Yugoslav diplomacy among the uncommitted countries. The Yugoslav criticism of power blocks and advocacy of non-alignment obviously hold great attractions for those countries, and

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Marshal Tito no doubt hopes to gain influence from this fact at the neutrals' conference in Belgrade in September. Doubtless it is no coincidence that the preparations for this conference should coincide with renewed attacks on Yugoslavia in east European capitals. Marshal Tito can expect these attacks to continue so long as he persists in a policy that must tend to damage Soviet influence in Africa and Asia.

INCOME TAX DECISIONS

Under Which Schedule?

LAST week two more of the recent clutch of tax cases heard in the courts raised the old question of the different treatment of expenses under schedules D (for professional earnings) and E (for employees' salaries). One case concerned a man whose employers paid the rent of his flat—£500 a year—and charged him £150. The question at issue was whether the £350 difference should be included in the employee's emoluments and taxed under schedule E, and if so whether it could be regarded as a deductible expense under that schedule. The tax commissioners answered yes on both counts; now a judge,

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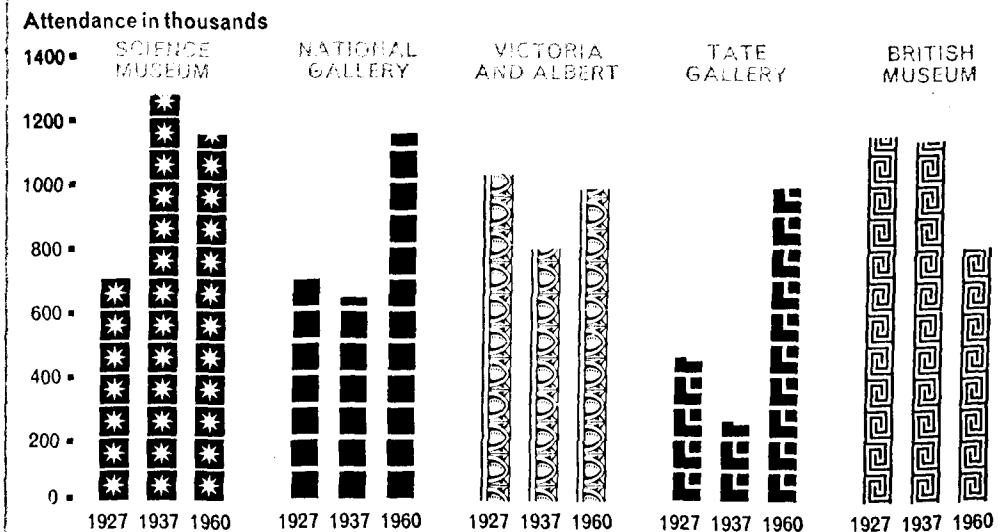
The second case has seen the culmination of the long fight between the Crown and part-time consultants in the health service. Ought the remuneration received by these consultants in respect of their hospital appointments in the health service to be assessed under schedule E? Or should these appointments be treated as incidental to the consultants' practice of their profession and the remuneration from them assessed with their private practice earnings under schedule D? In five test cases, the special commissioners held that the whole of the consultants' income could be assessed under schedule D, and that all their professional expenses (including, for instance, the overhead expenses of running a car) could be deducted under the more liberal rule of that schedule. On appeal, however, this decision was reversed, the judge holding that the health service earnings were assessable under schedule E, and that the expenses incurred in carrying them out could not be deducted in determining the amount of tax payable under schedule D.

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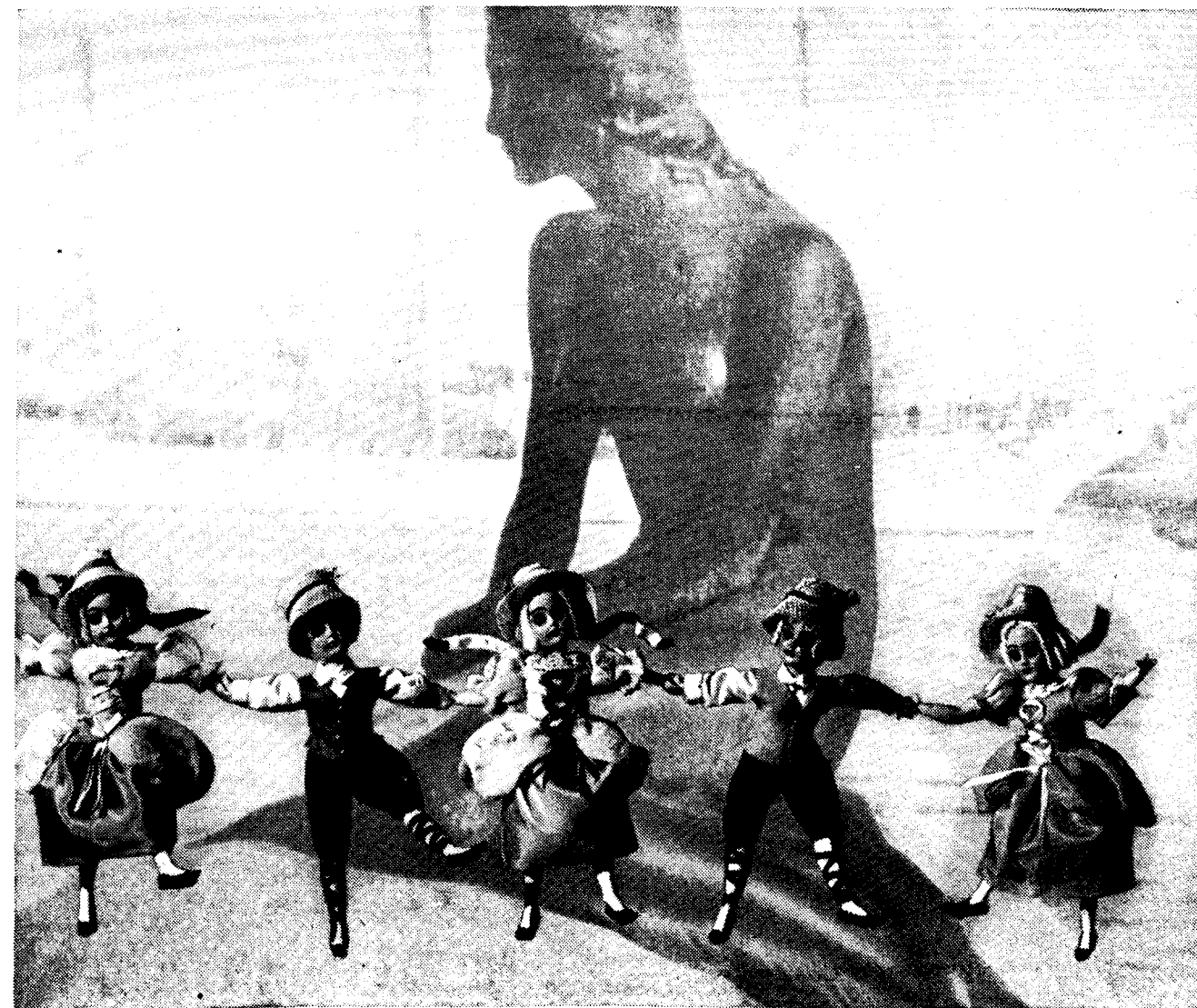
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The standing commission on museums and galleries is at present making a survey of provincial museums and galleries. Its concern, in its sixth report, is with the need to improve the national institutions by enlarging the staff (to provide, among other things, for more late opening of galleries) and speeding-up the building programmes to relieve overcrowding (there are still war-damaged rooms at the British Museum). The commission again urges that there should be tax reliefs to encourage donation of money or works of art to public galleries.



Danish molecules dance an English jig



New landmarks are appearing on Copenhagen's waterfront. Soon after Christmas a valve will be opened in a pipeline from the Maersk refinery, which supplies the city with most of its gas, and a stream of ethylene will begin the intricate journey through compressors and reaction vessels that will transform it into one of the world's most versatile plastics: polythene. The high-pressure process that persuades the invisible molecules of an invisible gas to choose partners, link up in long chains and form a tough, resilient plastic, was discovered by I.C.I., Britain's leading chemical company; and today it is used to make most of the one

million tons of polythene produced every year throughout the world. In Britain, Australia, Canada and India, I.C.I. and its subsidiary companies operate plants making 'Alkathene' polythene for everything from squeeze-bottles and nailbrushes to packaging film and cable insulation. In seven other countries, 14 manufacturers are licensed by I.C.I. to make polythene, and to build the new polythene plant in Copenhagen, I.C.I. has joined forces with the A. P. Möller Shipping Companies. Once again, I.C.I.'s mastery of mammoth pressures and capricious temperatures will make the molecules dance.

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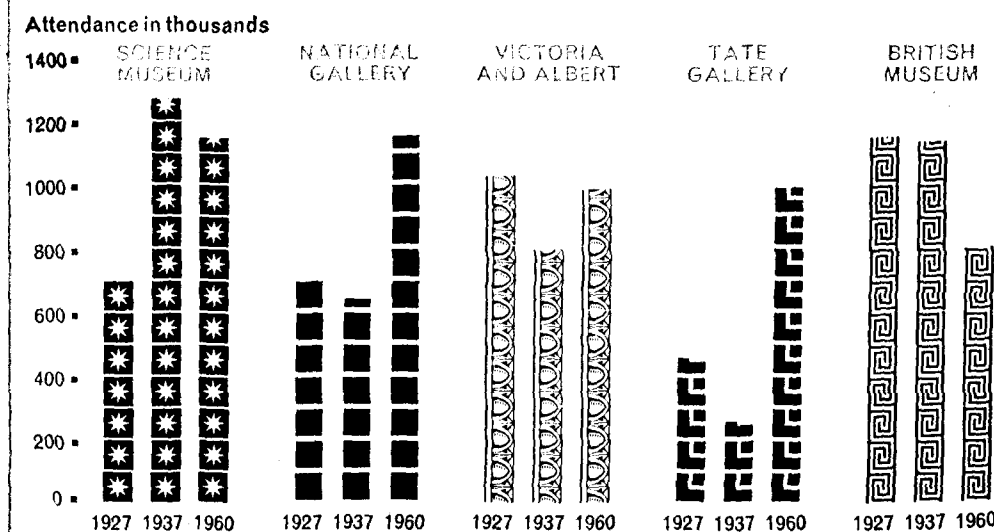
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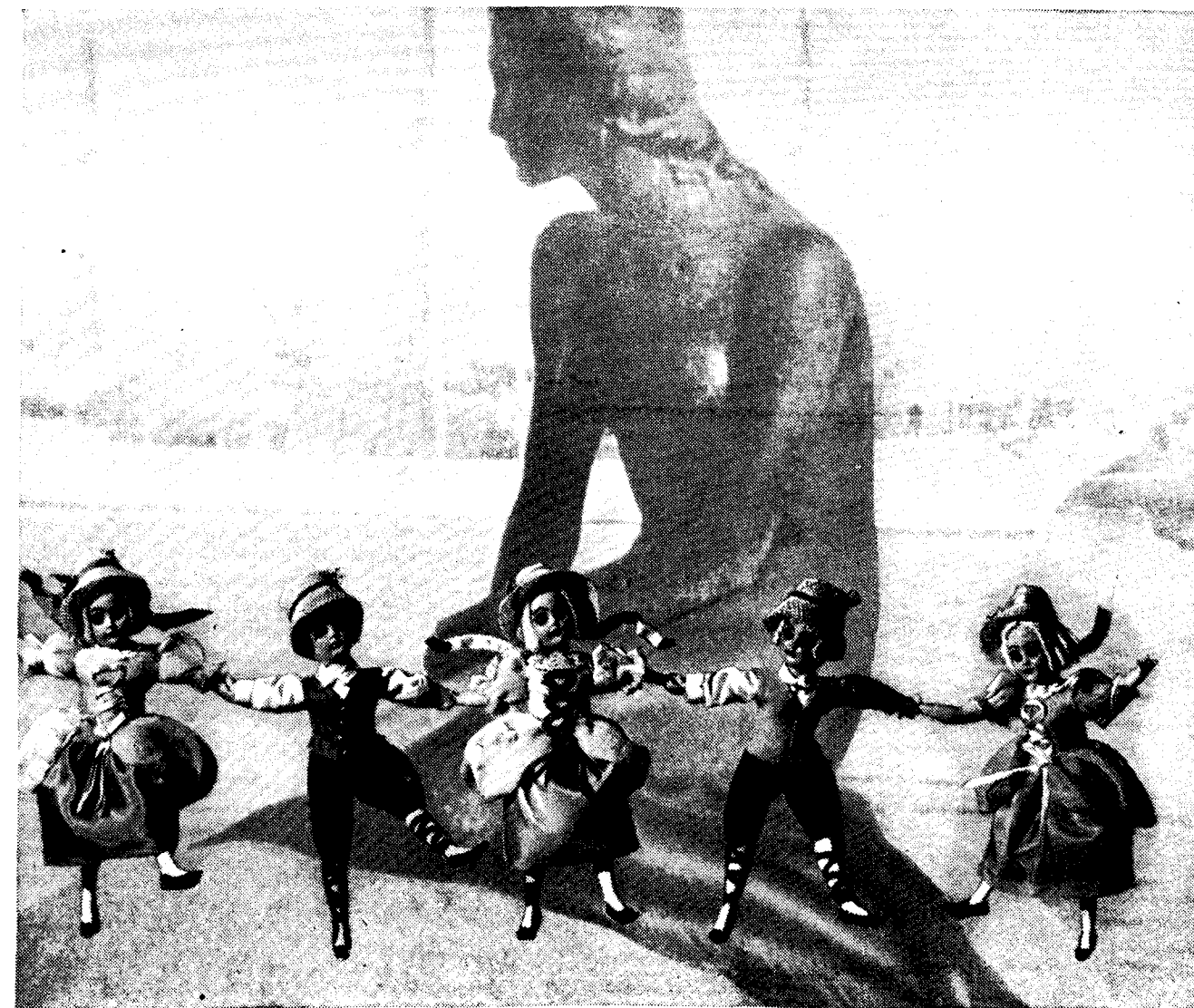
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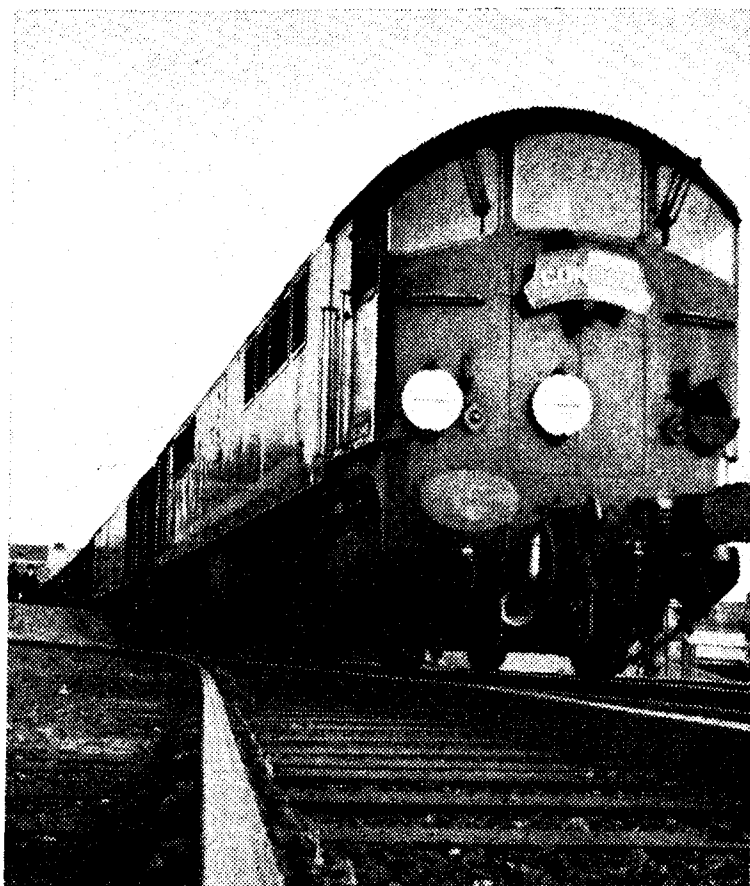
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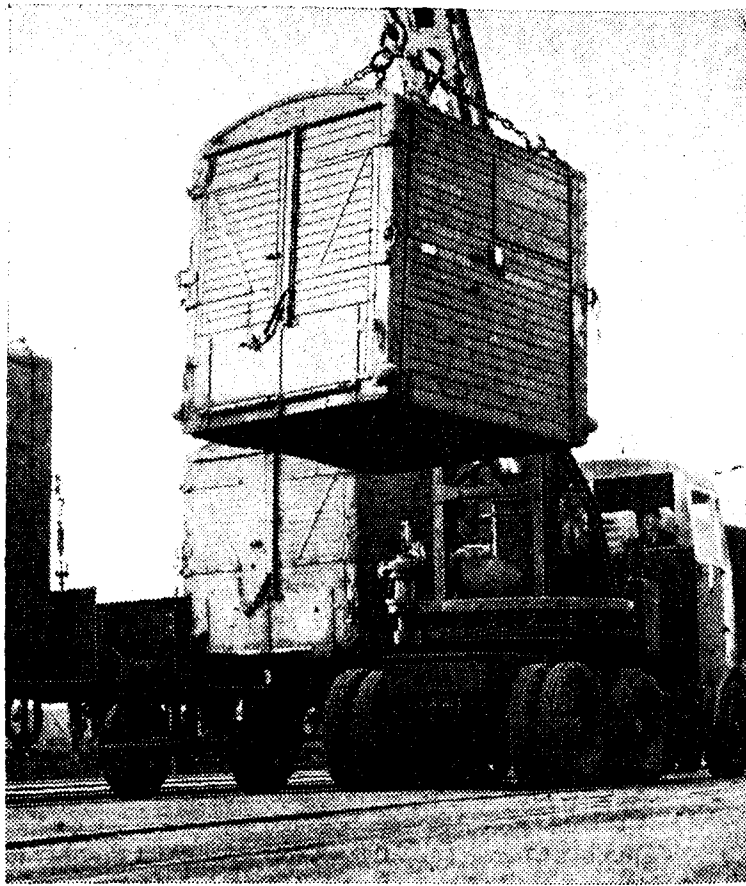
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came down firmly on their side. Health service earnings were assessable under schedule E, but the word "profession" in the expenses rule of schedule D must refer to the practice of a profession as a whole, not merely to that part of it for which the earnings were taxable under schedule D. Last week, however, the House of Lords upheld the decision of the judge in the Chancery Division. It held that the rules for each schedule were mutually exclusive; for income tax purposes the consultants concerned were not engaged in a single activity, as the Court of Appeal had maintained.

If the House of Lords had decided in favour of the doctors, there would doubtless have been repercussions in other professions—journalists, for example, might start to lay off many more expenses against part-time freelance earnings. But the fact that the case has gone ding-dong through the whole machinery of the law, with the balance of legal opinion pretty equally divided on it, must reopen the case for saying that expenses under the two schedules should be brought more into line.

MINICABS

Strategic Withdrawal

LAST weekend the proprietors of London's largest fleet of minicabs announced that their cars would no longer accept fares in Central London for journeys of less than five miles. The reasons for this withdrawal were given as (a) a desire to placate the drivers of conventional taxis; and (b) an inability to cope with the present flood of demand for their services.

The placating of the taxi-drivers is not likely to be altogether successful: the regular operators were not noticeably mollified by the news that the minicab owners had been advising short-trip customers to "take a taxi," and this formalisation of the practice will mean little to them. Indeed, the decision to impose a low limit of five miles may lead the taxi-drivers to believe that they are being attacked at one of their weakest spots. The archaic Public Carriage Laws, which control the operation of cars plying for hire, apply to fares only when these are for less than six miles (or an hour's run), after which the driver can bargain or impose what fare he likes. A journey from, say, Liverpool Street Station to Hammer-smith may cost as much as twice the fare indicated on the meter—about £1. The same journey in a minicab would cost 7s. Taxi-men argue that the preference for minicabs will therefore take effect just where their cabs become profitable. Unless he can find a fare on his return journey, the taxi-man's run is only marginally economic between four and six miles. The sight of a taxi, Public Carriage Office type, may now become a rarity at London airport.

What has prevented the rout of the regular taxi-drivers has been the inability of

anyone with limited patience to book a minicab; telephone calls for one have received only the engaged signal for hours on end. This shows how large the unsatisfied demand for minicabs is. If the first big firm in the field has withdrawn from the centre of the city, this does not mean that other operators will not open up and enter the market there. Indeed they now seem to have every economic incentive to do so. And, from the London traveller's point of view, there is every reason why they should.

NORTHERN RHODESIA

Kaffirs Are Lively

IN London Mr Kenneth Kaunda, leader of the United National Independence Party of Northern Rhodesia, can walk upright. He is able to visit the Colonial Secretary as an important leader of opinion in one of the colonies. In Salisbury, apparently, he is just Kenneth the Kaffir. Exactly what happened to Mr Kaunda when he passed through Salisbury airport on his way home to Lusaka ten days ago has become a matter of public dispute between himself and Sir Roy Welensky. It is bad enough that Mr Kaunda is still a prohibited immigrant in Southern Rhodesia, the federal partner of Northern Rhodesia—and that the incidents at the airport were sufficient to provoke some Westminster supporters of Sir Roy into muttering that this was a pretty silly way of trying to keep a federation going.

Mr Kaunda has, however, proved to be the master of his temper. A three-day meeting of his party was held at Broken Hill this week, and discipline in the ranks of the 5,000 delegates was remarkably good. Mr Kaunda sensibly asked for, and got, complete personal power to direct, call, halt, or prolong any non-violent campaign against Mr Macleod's new constitution. This is Northern Rhodesia's best guarantee that the campaign will be kept as free of excess as possible; Mr Kaunda will go no further than he feels he must to retain his leadership and achieve his objectives—and there is evidence that he is the sort of man who would lay down the leadership if that meant violence.

The call must now be for Mr Kaunda's more excitable advisers to keep their tempers, too. Rightly or wrongly, the complex new constitution for Northern Rhodesia is seen by the African nationalists as being so heavily weighted in favour of Sir Roy's party that they have chosen to carry on with strikes, boycotts and passive resistance until the next constitution. They may use the ballot box as well: this does not get round the need, which apparently still exists in Rhodesian politics, for the kind of catharsis experienced in other emerging countries in east and central Africa. The tricky constitutional way may be attractive in London. But in Britain's Deep South in 1961, the kaffirs are lively.

COUNCIL ON TRIBUNALS

Business Picks Up

THE second report of the Council on Tribunals (HMSO, 2s. 6d.) shows that the council had much more work to do last year, and has evidently become more conscious of its importance. Fifty-two new complaints were dealt with (31 concerning tribunals and 21 statutory inquiries), more than twice those of the previous year. As was reiterated during the Lords debate on Wednesday, the council, unless reconstituted, will soon be unable to cope with the volume of work. If it is to continue to be composed of part-time members it is desirable to increase its numbers so that a rota system can be introduced. The largest single group of complaints came from rent tribunals in the London area, but in half the council thought it unnecessary to take any action. Applications to rent tribunals have apparently fallen off partly because of the amalgamation of local tribunals, and partly because of an erroneous public belief that they were abolished by the 1957 Rent Act. The Essex chalkpit case will be treated in a special report.

The council's principal criticism of rent tribunals, apart from their restriction of appeals to points of law, is their lack of any agreed system of procedure. Presumably it would not be outside the council's powers or abilities to draw up a proper code. It considers the ban on legal representation before national health service tribunals to cause no injustice: certainly, if legal representation were allowed it would be invoked more by doctors than by complainants. The council wants the right to be present at these tribunals, but its complaint last year about lack of status at pensions tribunals has gone unheeded.

The council considered two recommendations of the Franks committee, that absolute privilege should be accorded to tribunal witnesses, at any rate when on oath, and that tribunals should have the power of *sub poena*. It rejected both of them, the first on the inadequate ground that such privilege might encourage the making of malicious statements, and the second for the more reasonable reason that individuals have the right to apply to the courts for a *sub poena*, which has never been refused because a witness must appear before an inferior tribunal. The council has not considered the pressing problem of payment of costs, which at present are irrevocable, but the Lord Chancellor indicated on Wednesday that he intended to refer the question to it. Little consideration has been given by the council to increasing its own powers. The suggestions put forward in the Lords ranged from Lord Denning's proposal that it should have power to settle whether decisions should be taken inside Government departments or before the tribunal, to Lord Lucas's plea that it should be able to call for papers and summon witnesses.

HOME REPORT

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

Brothers in Conference

FROM OUR SPECIAL CORRESPONDENT



Left . . . Mr. Cousins

Right . . . Mr. Brown

THE Transport and General Workers' Union, whose 1,300,000 members provide so much of the infantry for the labour movement and for the country's second political party, held its biennial delegate conference this week amid the domes and terraces of sunny Brighton. Eight hundred working men, elected by their fellow activists in the union's regional and trade groups, had their chance of giving instructions to the General Executive Council—the elected body which runs the union's day-to-day affairs—and to the paid officials who do the business of negotiating and bargaining on behalf of the members. The massive list of 658 resolutions from branches and trade groups throughout the British Isles having been whittled down by agreement and compression to manageable size, or bundled up into a "statement of executive policy" for delivery from the platform, each was moved by a speaker with a maximum of five minutes' talking time (and a remorseless red light to shine in his eyes when this was up): three minutes were allowed for supporting speeches.

Devon's burr, Glasgow's glottal hesitation, Ulster's nasal brogue (and the rich southern Irishness of the London building workers) promptly indicated the speakers' origins, and gave a clue to the vastly predictable local viewpoints which recurred throughout the debates. "We don't have the speakers we had two years ago," confided a genial lorry-driver from the brewing trade, "they've made them all into local officers, so they can't be delegates." With a yawn the listeners agreed: in mid-discussion a cry of "Vote" would go up from a weary audience, and the little queues of would-be orators waiting by the rostrum faded away, mouthing the phrases they were burning to deliver.

Each debate, however, was summed up by the general secretary, his time limited only by the discretion of the chair—and the chairman, sitting under Mr Cousins's massive elbow, had little inclination to intervene. Refuting, subtly rephrasing or magisterially blessing the arguments presented at the rostrum; facts at his fingertips, authority in his massive shoulders, socialist faith glittering behind his horn-rims, Mr Cousins had the conference in the palm of his hand. Brother Frank to many of the delegates, this brother was certainly big. Like Ernest Bevin, who created the union, or like Arthur Deakin, whom a veteran delegate remembered pushing a long-winded conference president forcibly down into his seat, the transport workers' leader is unmistakably a strong man—and his strength lies largely in his intelligence among a swarm of decent mediocrities. His strength—and his idealism—showed at their best in curbing a mindless movement to call for restriction on Commonwealth immigration ("I know, brothers, we have to go on being brothers, but there's a limit to which brotherhood can go"): passionately, Mr Cousins stamped out the embers of xenophobia, and only seven hands were raised to vote against him.

But while Bevin and Deakin were concerned to keep the right-

hand end of the Labour see-saw firmly on the ground, Mr Cousins exerts the union's massive weight to tip the balance the other way. The decision of the conference to reject appeals for wage restraint, and to launch itself into a new campaign ("as long as there is this free-for-all we shall regard ourselves as part of the 'all'"), said Mr Cousins is the most serious threat it levelled at the government—or at the nation, depending on the point of view—but this has, after all, been the unanimous reaction of all trade unionists. It is Mr Gaitskell, not Mr Macmillan, who is threatened by some other decisions.

The first threat may come on the new Labour policy document *Signposts for the Sixties*: the success of this rallying-point for divided socialists must surely depend on its unspecificness over certain issues—notably that of nationalisation. But the conference approved a statement by Mr Cousins which leaves him free—as he explained—to seek assurances from the party leadership that it means what he wants it to mean. And what he wants it to mean is very unlikely to be what Mr Gaitskell (rightly) believes the floating voter to want it to mean.

INEVITABLY the big fight was over *The Bomb*: and its first round was fought out between Mr Cousins and Mr George Brown, the deputy leader of the Labour party, whose candidature for parliament is sponsored by the TGWU. Mr Brown, as an official of the union, knew very well that he had no possible right to speak at the conference: he also knew that no one else could muster the speaking time, the command of facts or the persuasiveness of Mr Cousins to swing the vital few uncommitted delegates to his side.

His first move was to get as much publicity as possible for his point of view (leading to complaints from Mr Cousins of "pressure groups" trying to influence the internal affairs of the delegate conference): no fewer than seven MPs—six sponsored by the transport workers and Mr Philip Noel-Baker, armed with his credit as a Nobel prize winner—turned up on the Sunday before the conference to address a public meeting. But the police nabbed the loudspeaker van advertising this meeting, and the Midlands delegates were tempted away by a party. Some seventy people, including a puzzled French student and Mr Brown's whole family, were all that turned up to fill the cinema hired for the evening (next week: Michèle Morgan in *Torment*). Whatever the resentment of some delegates at Mr Cousins's authoritarian organisation of the conference debates, even more of them deplored the free-lance activities of Mr Brown: his actions may even have lost as many votes for his party leader as they gained, and Mr Cousins's triumph, when it came on Thursday afternoon to rapturous applause, seemed depressingly predictable.

Death in the Water

FROM OUR SPECIAL CORRESPONDENT



THE British public does well to be obsessed with the rapacious motor car, which kills 7,000 people each year: it does less well to be so little troubled by water, in which 1,200 people perish annually. Some 700 children die each year on the roads, and strenuous attempts are made to educate the young in the perils of traffic; but the 350 childish deaths by drowning cause less of a stir. Far too many British children are still not able to swim.

This week the Thames Conservancy Board expressed concern that between 20 and 30 swimmers (mostly young boys) are drowned in the non-tidal reaches of the river (of which the Conservancy is the guardian) each year. Below Teddington, where the stream meets the noisome tidal scum, the Metropolitan Police last year recovered the bodies of 78 drowned, and rescued a further 51. In the canals of Britain, most of them unused, weed-grown and treacherous, 25 people died in 1960. Another 43 found that even swimming pools may be fatal. From their holidays, from high summer days in the river and the sea, 753 did not return. Messing about in small boats, worthwhile as the *Water Rat* thought it, can hardly have been as valuable as the 68 lives it claimed in 1959.

Drowning is an unnatural death. It is also avoidable. The meanest swimmer may keep himself afloat for a few minutes, but his strength will not last long. The strongest swimmer, slapped by a wave, concussed by a gybing boom or trapped by tide or current, may succumb. The boy on a dare may come safely to the opposite bank, only to find it sheer and unclimbable. The old or infirm in too hot a bath may feel momentarily faint. All or any of these may mean another death; but they need not.

The Royal Society for the Prevention of Accidents is the chief organisation currently concerned to reduce the toll. In May it launched a campaign against ignorance and complacency which, if it

has effect, could cut the number of deaths on the water to those (such as the wrecking of fishing vessels in violent seas) which are truly unavoidable. Most people drown while swimming for pleasure, and the main force of the campaign is directed at persuading the great majority of Englishmen that it is dangerous to boast that they cannot swim. There is no exact figure, but an informed guess has put the proportion of swimmers able to take care of themselves in an emergency as low as one in ten of the population.

CLIMATICALLY, Britain is not conducive to training in swimming, and, perhaps depending on a nautical past, most Britons prefer to learn to sail on the surface of the water rather than swim through it. This discouragement by wind and weather is partly responsible for the dearth of facilities; possibly the proximity of the sea itself has deterred local authorities from spending too much on mere pleasure pools. The London County Council region, with its population of 3.25 million, is comparatively well provided for: in its 29 boroughs there are 80 indoor and outdoor pools (although four of the boroughs have no baths at all). Each pool must therefore cater for 40,000 or more people. But Coventry has only a single pool for 280,000 people; Swansea, two for its 160,000; and York, three for its 105,000.

Where pools do exist the facilities for learning are not always good. In London, the courses organised by the Central Council for Physical Recreation can only be attended in September, when the summer rush is over. In many centres, no facilities for teaching are available, and children must learn, possibly to their injury, from their contemporaries or elders willing (but not therefore qualified) to devote time to them. There is much in this field that could profitably occupy the time of more than one MP.

Ulster Likes Lloyd

FROM A CORRESPONDENT IN BELFAST

NORTHERN IRELAND's resolute opposition to the payroll tax (whether or not Mr Selwyn Lloyd sees fit to impose it elsewhere) ended in as famous a victory as its Unionist MPs at Westminster have secured. Mr Lloyd has now agreed to exempt Ulster and has thereby rejoiced the hearts of the Northern Ireland Minister of Finance, Mr Terence O'Neill, who had earlier expressed his perturbation, and the *Belfast Telegraph* which, although it seldom criticises Tory policy, had declared that "the tax would arouse misgivings in those areas where unemployment is high and alternative jobs scarce, as in Northern Ireland." The sight of three Ulster Unionist MPs going into the Opposition lobby during the passage of the Finance Bill may finally have persuaded the Chancellor to desert this particular charge. But by allowing Ulster exemption Mr Lloyd has set some tongues wagging again in Belfast in the cause of a more complete separation of Northern Ireland's fiscal system from the Treasury in Whitehall.

This has long been a matter of hardened faith among a minority in Belfast. Some seven years ago Mr W. F. McCoy, a Unionist MP, began to propagate the idea that Northern Ireland would make better economic progress if it had "dominion status" with the specific power to arrange its own system of taxation. Mr McCoy's campaign managed to win the support of a small number of members in the Stormont Parliament: it looked attractive to those Ulstermen who were then complaining about the high levels of British taxation. But the idea never appealed to the Northern Ireland government nor to Lord Brookeborough, the prime minister, whose opposition was based essentially on the contention that with dominion status Northern Ireland would cease to be an integral part of the United Kingdom: any change would weaken the 1920 Government of Ireland Act which brought the Northern Ireland Parliament and state into existence.

The 1920 Act defines the financial relationship between Northern Ireland and Great Britain with the utmost clarity. The Act gave the British Exchequer power to levy and collect almost all Ulster's taxes. This is called the Reserved Revenue, although in the annual settling of accounts all the money is handed back to the Northern Ireland government. The Northern Ireland government itself merely has the power to control what is known as Transferred Taxation, chiefly death duties, entertainments tax, some stamp duties and road taxes. Even in levying these taxes the Northern Ireland Minister of Finance never departs very far from the policy of the British Chancellor. The last, and highly debatable, item in the accounting is the

annual Imperial Contribution, which Ulster pays towards the cost of United Kingdom defence, consular services and other joint charges. This contribution has varied enormously over the past forty years. In 1946 it stood in the books at £34 million: by last year it had fallen to £9 million and is expected to be even lower (provisionally £3 million) this year.

In effect Northern Ireland bears exactly the same burden of taxation as the rest of the United Kingdom. But is this satisfactory when Northern Ireland's economy, with its persistently high level of unemployment, has very different needs and problems from the British economy as a whole? Many Ulster industrialists, politicians and economists say that it is not. Professor C. F. Carter, formerly professor of economics at Queen's University, Belfast, has gone so far as to say that the Constitution of Northern Ireland (the 1920 Act) is "an economic failure." It seems to give the Northern Ireland government responsibility without power and the Treasury and Board of Trade in London power without responsibility. There has been a growing belief that financial policy determined in London, often demonstrably without consideration for local economic problems, is one of the main reasons why Ulster's industrial development has been retarded. It was no surprise that the payroll tax promptly met such stiff resistance.

A number of Ulster's industrialists, especially those concerned in the new industries that have been set up in the past 15 years, argue that the Northern Ireland government should have the power to make tax concessions that would compensate, for example, for the heavy transport costs that



Lord Brookeborough: Imperial tie

manufacturing in Ulster incurs. Another argument, particularly favoured by some politicians, is that if Northern Ireland had fiscal independence the government could use its power (as the government in Dublin has been doing for the past six or seven years) to increase its inducements to potential manufacturers. Some members of the Northern Ireland Parliament (and they are not confined to any one political party) say that the time has come for a serious review of the financial relationship with Britain. A favourite theme of these critics is that the Imperial Contribution should be

abolished, because financially it means very little to the British Treasury, and the money could be used to promote and improve tourism, industry, and housing at home.

THE full consequences of such a change, however, have never been fully studied. Constitutionally, of course, fiscal independence would require amendments to the 1920 Government of Ireland Act, and that, as Lord Brookeborough has repeatedly pointed out, would mean a loosening of the ties with the United Kingdom. Changing the level of taxation in Northern Ireland also raises the ticklish question of sustaining the social services, which at present are equal to those in Britain: Ulstermen pay the same weekly contributions and draw the same benefits. But Northern Ireland is in deficit on this account and under an agreement between the two governments the British Treasury pays the Northern Ireland Ministry of Finance some £13 million a year to make up the difference. Lower taxation in Ulster without the British grant would mean fewer social services.

It is the easiest thing in the world to call for a system of taxation that would recognise Ulster's economic problems, encourage investment and attract new industries. It is no less easy to insist that the people of the area should retain all the benefits that they enjoy as part of the United Kingdom. But can the two be combined? No coherent plan has so far been put forward by the revisionists, but there are some who believe that Mr Lloyd's leniency could be a precedent that might lead eventually to a parting of the ways.

During his later years, Mr H. N. Brailsford devoted himself to a full-length study of the movement, but unfortunately died before fully completing his task, leaving his material to be tidied up and edited by Mr Christopher Hill. Written with love and fire and passion, his book provides the most vivid and comprehensible account of the tangled events of 1647-49 that we have, based on a most detailed study of the pamphleteering of the Levellers and their opponents. It also contains some extremely shrewd assessments of the characters of the protagonists, Cromwell and Ireton on the one side, Lilburne, Overton, Walwyn, Rainsborough and Sexby on the other. Never has the dramatic story been better told of the meeting in Putney Church of the General Council of the Army in 1647, in which the believers in property rights as the foundation of the state clashed starkly with the advocates of complete human equality. On the other hand the book has done little to increase our knowledge of the intellectual or economic roots of Leveller power. The origins of Leveller ideas, perhaps in Anabaptist literature, perhaps in a traditional egalitarianism among the peasantry, are still to be explored. We still do not

know how far the movement attracted support from the urban workers or the peasantry, from the artisan, the small shopkeeper or the yeoman. Mr Brailsford does not even seem quite sure whether it was a proletarian or a petit bourgeois movement. The organisation behind the demonstrations in London and the mass signatures to petitions is still obscure.

Mr Brailsford did not live to write the concluding chapter, so we can only guess what were his final reflections. It is clear from his narrative, however, that the Leveller leaders, though eloquent propagandists, lacked the cynicism in exploiting popular economic grievances, the duplicity in tactical manoeuvres, the ruthlessness in crushing opponents and the secrecy in conspiratorial organisation that are needed to seize power and carry out a true social revolution. They were not Robespierre, not Lenin. While they were earnestly proclaiming their misty ideal of a humane, tolerant and democratic world, men more practical—and more selfish—than they were busy destroying their power. The Agitators of the Army, those remarkable precursors of the Workers' and Soldiers' Councils of 1917 Russia, were out-manoeuvred by Cromwell and military discipline was forcibly reasserted. The civilian leaders were both unwilling and unable to bring into action the London mob (which was apparently royalist by now), and they hardly even tried to arouse the peasantry. In any case it was only the very exceptional and temporary conditions of the disunity of the gentry, the freedom of the press and the burning grievances of the soldiery that had given them their chance. Their liberal ideas could have appealed to few in any class at this time, and the social structure of pre-industrial England offered no scope for a movement that threatened the authority of the landed classes.

The practical consequences of this abortive episode were entirely negative and harmful. All it did was to alarm the squirearchy into blocking the mildest of social reforms for a hundred and fifty years. Even such obvious measures as the redistribution of parliamentary seats, the speeding up and cheapening of the processes of the law, or the abolition of imprisonment for debt had to wait for the great reforming tide of the early nineteenth century, led by men who knew little of these seventeenth century radicals and owed nothing to them. The Levellers were a noble but a tragic failure.

"Il vengea Calas"

Voltaire and the Calas Case

By Edna Nixon.

Gollancz. 224 pages. 21s.

THE suicide—or murder by an intruder—of a moody Protestant youth named Marc-Antoine Calas, the attempts of a sinister society of "White Penitents" and other interested parties to claim him as a recent convert to Roman Catholicism and establish him as a martyr, the outrageous

trial which led to his family's condemnation and his father's execution, Voltaire's impassioned struggle to obtain a reversal of that condemnation: these are the elements of the Calas case, an enthralling, inspiring story that has never been better told than in this exciting book.

It is a story that, as a film producer once said, "has everything." (He added: "Of course, I daren't touch it.") The scene shifts from the noisome streets and dungeons of Toulouse to Voltaire's glorious estates at Ferney and Les Délices, and thence, for the climax, to Louis XV's court at Versailles. The principal characters are of heroic stature: the noble Jean Calas, his English-born wife Rose, the sturdy Gaubert Lavaysse, above all Voltaire at his most vigorous, most compassionate, most sublime. (Voltaire's defence of the Calas family and other victims of injustice so deeply impressed his contemporaries that his sarcophagus was inscribed: "*Il vengea Calas, la Barre, Sirven et Montbailly.*") Even the minor characters are memorable: the weak, treacherous Louis Calas; the Catholic servant Jeanne who, by converting Louis, unwittingly planted the seed of the whole affair, but remained loyal to her Protestant employers when disaster struck; the splendid nun Anne-Julie; and La Pompadour, who said of the people of Toulouse: "These hotheads are more religious than is necessary for good Christians."

Mrs Nixon's book makes far more compulsive reading than most novels; but it is also a valuable work of reference, and her publishers have let her down by issuing it without an index.

The Poet as Man

The Late Lord Byron

By Doris Langley Moore.

Murray. 542 pages. 42s.

IT is bad luck for a writer when his personality exerts a spill over his contemporaries. The chances are that after his death there will be a proliferation of memoirs, portraits, impressions of "the man as I knew him," to the detriment of a sane assessment of his work. This happened with D. H. Lawrence, but more devastatingly still it happened with Byron. He has been dead now for a hundred and twenty-five years, and his poems and plays might well, one would think, have produced an impressive corpus of genuine literary criticism; but no, interest in his life has always eclipsed interest in his writings, and it still does.

Perhaps the publication of this massive book, coming so soon after the three-volume biography by Mr Leslie Marchand, may signalise the turning of the tide. There can no longer be any really large sources of biographical material untapped by research. Mr Marchand was hampered by being refused access to the Lovelace papers, the important collection of letters and documents bequeathed by Lady Byron to her



'Just the thing for busy morons'

THIS remark was Miss Fenella Fielding's inspired verdict on "The Week", that splendid piece of news-gathering that goes on at the back of The Observer Weekend Review each Sunday. If you read your paper in the train, or at the breakfast-table, and your reading is habitually punctuated by either passing the marmalade or hunting for your season ticket, the news is apt to get unbalanced. Sometimes the papers themselves contribute to this confusion by not knowing what really matters. But come Sunday, The Observer settles the count perfectly in "The Week." The man who's responsible for panning the gold from the immense amount of dross that clutters up front pages during the week is Edward Crankshaw.

If ever there was a danger (and I think there is) of regarding the more literate Sunday newspapers as weekly magazines, I think Mr. Crankshaw goes a long way to putting this right. There, on a single page, the news of the week is brilliantly evaluated. It's not just useful in case you happen to have missed it when it was at its topical best. It's a good thing to train yourself to take a cool backward glance at recent events occasionally. Otherwise, like Pavlov's dogs, you tend to salivate furiously every time you hear the newsboy's voice.

Spotting the Aphorism . . .

I never was much of a sportsman, but there's one quiet little sport I can never resist: that of trying to decide, as the week sides by, what will appear in the "Sayings of the Week" section. It's a good game. Some people (Marilyn Monroe, Dr. Fisher, Gerald Nabarro, Queen Soraya, Frank Sinatra) have a genius for tossing off sayings of the week. Those winners are relatively easy to pick, if you study form carefully. Discerning a likely outsider before the "off" is less easy. Were you onto the Minister of Agriculture the other day? "For once," he said, "one can mention pigs with a sense of sober satisfaction." It's snippets like this which add the final touch of spice to a page which I have always found to be already very well-seasoned.

I'm storing up one or two bets for next Sunday's Observer already. But I daresay, as usual, I shall be surprised. And what a good thing that is! J.B.L. ADVT.

BOOKS

The First Liberals

The Levellers and the English Revolution

By H. N. Brailsford. Edited by Christopher Hill.

Cresset Press. 731 pages. 55s.

FOR a brief interval in the middle of the seventeenth century it looked as if the upheavals of the Civil War were about to lead to genuine social revolution. Before the horrified gaze of both sides in the struggle, there suddenly emerged in 1647 a party advocating liberty, equality and fraternity. Drawing support partly from the lower ranks of the New Model Army, partly from civilian backing in London and the home counties, the Levellers, as they

were dubbed by their enemies in an attempt to smear them with the taint of communism, were the first genuine liberals in history. The modernity of their views is astonishing. Two or three hundred years before such notions became respectable, they were advocating equal rights for men and women, colonial freedom (they bitterly opposed Cromwell's bloody reconquest of Ireland), full equality before a thoroughly reformed law, abolition of the death penalty for petty crimes, the ending of imprisonment for debt, electoral reform on a broad based (though not full manhood) suffrage, abolition of the veto of the Crown and the House of Lords, the overthrow of clerical authority and the abolition of tithes, complete religious toleration, including Roman Catholics, and untrammelled freedom of the press.

descendants and for a long time jealously guarded by them from outside scrutiny. Much speculation had been aroused by the concealment of this obviously significant material; but some months before her death Lady Wentworth, Byron's great-granddaughter, allowed Mrs. Langley Moore to read, catalogue and transcribe these hitherto unpublished documents, and the essential fruits of her labour are incorporated in this book. So now the great bulk of the evidence is before those who want to assess the character of Byron as a husband; and they, of course, far outnumber those who care about what he accomplished as a poet.

Mrs Langley Moore does not by any means confine herself to what she found at Crabtree Park. Her book is a long and thorough examination of the treatment "the late Lord Byron" received at the hands of his relations, friends, acquaintances and enemies. She begins with the destruction of the poet's own memoirs, which so dramatically set the world wondering what dark secrets had been consigned to the flames on John Murray's hearth; and she goes on to consider the exploitation of Byron's fame by some who, like Dallas, Medwin, Trelawny or Leigh Hunt, were ill-qualified to write about him, and the apprehensive moves on the part of Hobhouse, Lady Byron and Augusta Leigh whenever a new biographer entered the field.

"Drama" is indeed the word for all that concerned Byron during his lifetime and in the subsequent decades, when his enigmatic

personality still kept its hold over people who had actually crossed his path. Even today, scholarly volumes are devoted to investigating his sexual aberrations. But Mrs Langley Moore's book is far from being a sensational affair or a *chronique scandaleuse*. On the contrary, it is a work of serious research, almost too heavily documented at times for the reader who is not already something of a connoisseur of Byron's reputation. The poet himself, far from being damaged by the evidence of the Lovelace papers, emerges in a less sinister light than the implacable Lady Byron, brooding for well over forty years on the wrongs she had sustained, utterly convinced of her own rectitude. The person whose reputation is utterly damned by the new revelations is Lady Caroline Lamb, whose deliberate malice in breaking up the Byron marriage has never before been made fully evident.

Analysis of Companies

Ownership, Control and Success of Large Companies: An Analysis of English Industrial Structure and Policy, 1936-1951

By P. Sargant Florence.

Sweet & Maxwell. 293 pages. 63s.

IN this book, Professor Sargant Florence, assisted by five other research economists at the University of Birmingham, has analysed the accounts and share registers of a large sample of English companies from 1936 to 1951. He attempts to find relationships between a company's size, its industry, its gearing, its directors, its dividend policy, its asset growth, the dispersion of its shareholdings, and the gains that would have accrued from dividends, bonus issues and capital appreciation to anyone buying its shares in 1936. Selected items from his enormous collection of data occupy the last third of the book: the first two-thirds consists of a well written commentary based on a series of two-way tables and dashes of expert economic intuition. The number of relationships between these many variables, through time and at points of time, is too large to attempt to summarise his conclusions. It is enough to say that this book is so full of facts that it will both become a standard work for economics undergraduates and be studied in detail by many investors in the stock market. Unfortunately, there are so many difficulties in the subject matter, which are not removed by Professor Florence's analysis, that it is by no means certain that all his findings are valid.

The statistical difficulties are formidable. The size distribution of companies is highly skewed and presents many sampling problems. Professor Sargant Florence simply enumerates all companies above £3 million issued capital in 1951 and takes random samples from two other size strata. There is inadequate discussion of the optimum distribution of the sample among the strata and there is certainly no suggestion that the dispersion of firms' sizes within each stratum should

influence the choice of sampling fraction. Professor Florence ignores the sampling problem and, indeed, all too frequently forgets that his tables are based on a sample. He cheerfully compares one average with another and makes long lists of conclusions, but rarely mentions sampling errors or puts his conclusions to standard statistical tests.

Again, one hopes that his conclusions are unaffected by his sampling scheme or by sampling error, but it is clearly dangerous to rely on figures and intuition alone. For example, one of his many interesting conclusions is that the proportion of profits ploughed back tends to increase with the size of company; this claim appears to be justified by Table VI B, because the largest companies distribute 36.2 per cent of "Earned for Ordinary," whereas the medium and smaller companies distribute 38.9 per cent and 47.1 per cent respectively. But the sizes of his companies range from £0.2 million to £70 million and a variation from 47 per cent to 36 per cent is unlikely to be important against a background of a three-hundredfold increase in size. In a paper read to the Econometric Society in 1956, Dr S. J. Prais analysed the dividend policies of a sample of quoted companies and presented a table which suggested that the proportion of profits saved tended to increase from 60 per cent for smaller companies to 70 per cent for larger companies. These findings are consistent with those of Professor Florence, but Dr Prais was very careful not to rely on this impression and fitted a regression equation which suggests that, as we pass from small to large companies, a 1 per cent increase in the size of profit results in only a 1.04 per cent increase in companies' savings so that the proportion of profits ploughed back is much the same for companies of all sizes. One suspects that a systematic analysis of Professor Florence's data would yield similar results and would nullify his intuitive conclusion.

The trouble is that his fellow economists may notice these limitations and be reluctant to accept Professor Florence's conclusions, even when they are probably true. This would be most unfortunate, but it is liable to happen to anyone whose research techniques are insufficiently rigorous, no matter how high is his standing in his profession.

Roman Architecture

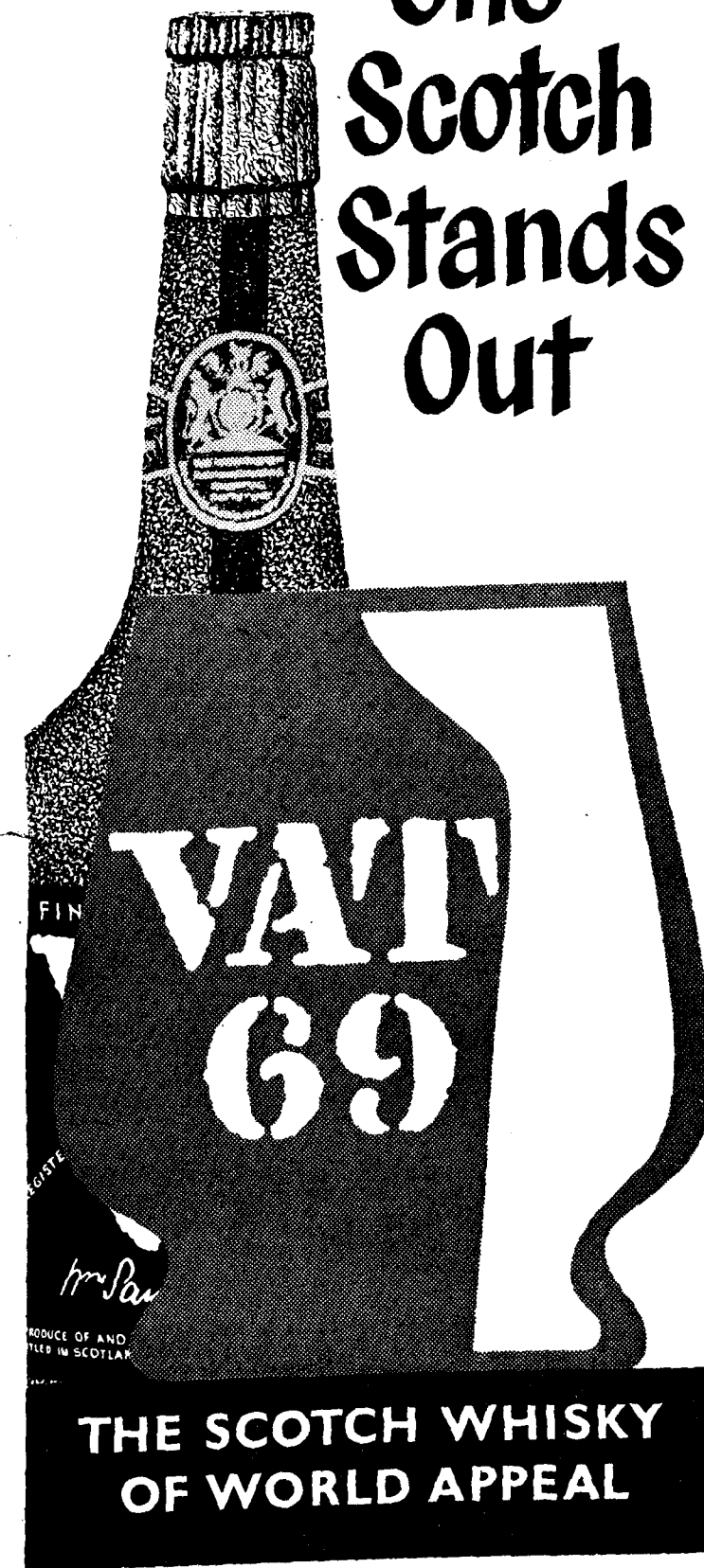
The Golden House of Nero

By Axel Boëthius.

Michigan University Press. London: Cresset Press. 195 pages. 105s.

PROFESSOR BOËTHIUS's chapter on the Golden House can perhaps be described as the Scherzo in a symphony of Roman architecture, coming as it does between major movements unfolding, on the one hand, the story of the Hellenised Italic town, and, on the other, the urban domestic architecture of the imperial age. The Golden House was "a fantastic country seat in the middle of Rome," the culmination of the Roman luxury villa, expressing

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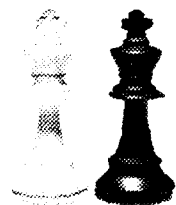
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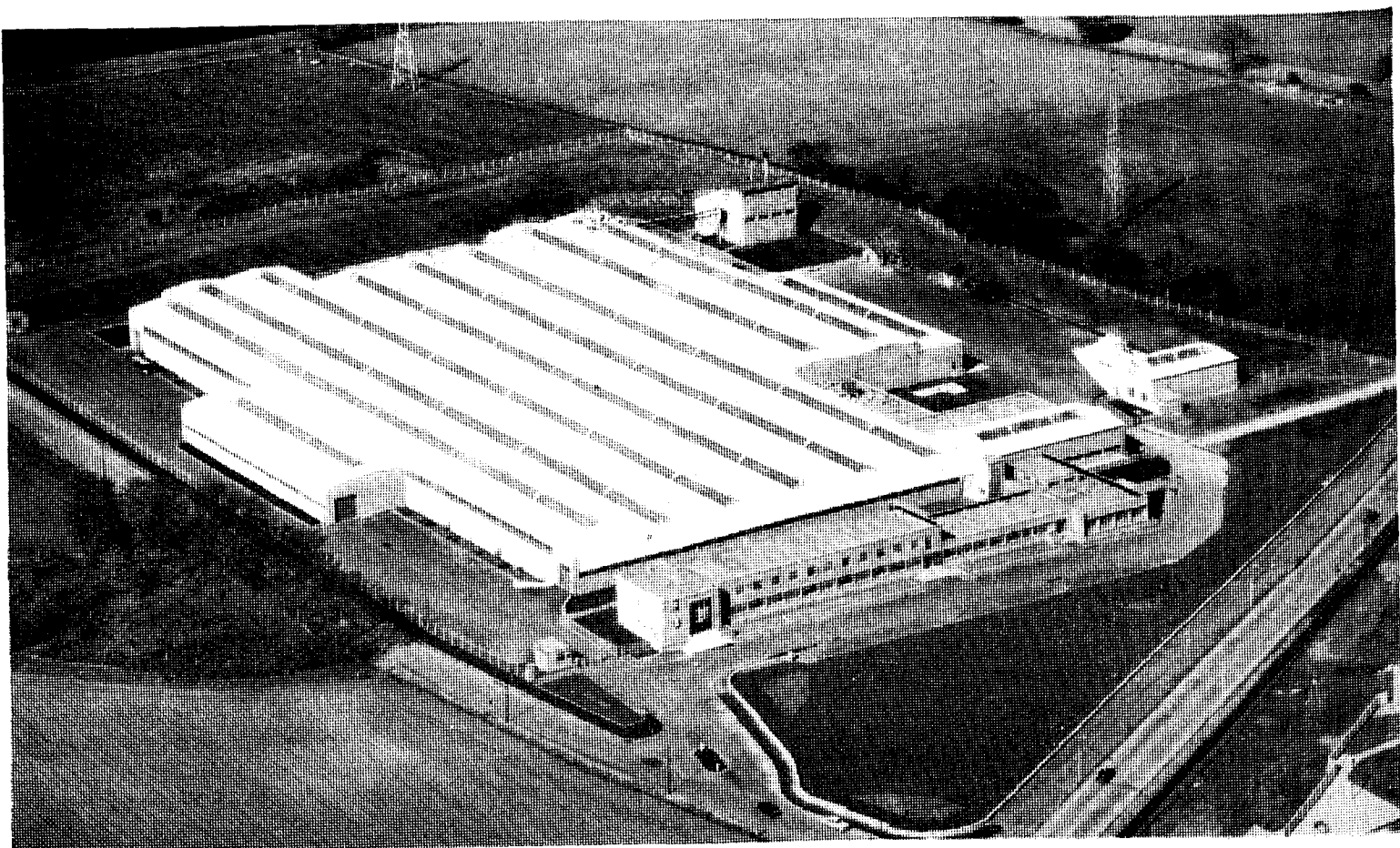
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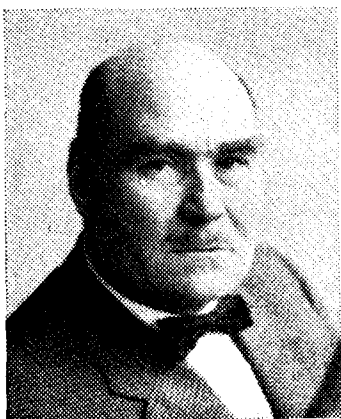
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Mr. A. E. Hitchcock, B.Sc., Technical Director of Morphy-Richards (Astral) Ltd., says: "Having been closely concerned with the development of the project, I have been able to appreciate the way in which the many problems of site preparation and construction had to be overcome. Building for industry requires the closest co-operation from the contractor and must combine speed of construction with an understanding of the specific needs of his client. The completion of this plant on schedule demonstrates the value of this kind of co-operation."



Mr. A. F. Kearny, Managing Director of Holland & Hannen and Cubitts (Scotland) Ltd., says: "From commencement to completion of a contract we like to work in very close collaboration with the clients and their consultants. Such a relationship ensures an up-to-the-minute appreciation of clients' requirements and job problems. At Dundee this close co-operation has enabled extensive areas of the factory to be handed over to Morphy-Richards (Astral) Limited for plant installation many months before the due completion date."

Close programming of construction enabled Cubitts to make half the factory floor area available for plant installation four months ahead of schedule. Thanks to this time-saving the newest domestic appliance factory in Scotland can go into production earlier than anticipated.

The new Astral factory at Dundee, covering 350,000 sq. ft., is an excellent example of how Cubitts' policy of precision planning saves time—and benefits the client. From the very beginning, Industrial Estates Management for Scotland, Morphy-Richards (Astral) Ltd., the consultants and Cubitts co-operated on detailed construction planning. Every major operation was work studied—for example, it was discovered that the best way to tackle the initial clearing of the eight acre site was by using only one excavator and ten dump trucks. They moved over 100,000 cubic yards of earth and rock within a few weeks. Then, in under three months the vast steel framework measuring 750 feet by 450 feet was erected, and the remainder of the construction work moved forward swiftly according to plan.

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"the love of nature . . . and the fanciful luxury and refinement that one meets in the world of the Roman aristocracy." But the people of Rome, shut out from this great demesne, were not amused. "What an artist perishes in me," Nero was to cry, and with the artist went the palace, his most original creation. Forty years later its last vestiges were to disappear under the public baths of Trajan.

The greater part of this exciting book is concerned with the less flamboyant sides of Roman architecture. In its beginnings what matters to Professor Boëthius is not the shepherds' huts on the Palatine but "the Greek and Etruscan urban system that suddenly transformed life in Rome." He shows, after that, the way that the Roman sense of symmetry reacted on Greek and especially on Hellenistic models. At the other end of his book he marshals the knowledge that has accumulated in recent years about the shops and blocks of flats in towns like Rome and Ostia and discusses their survival into medieval and modern Italy.

Coral Islands

Limuria: The Lesser Dependencies of Mauritius

By Robert Scott.

Oxford University Press. 320 pages 35s.

WHEN Sir Robert Scott was Governor of Mauritius he visited most of the small empty islands that were dotted about the broad maritime acres of his Indian Ocean parish. Like some other densely populated islands in the tropics Mauritius itself is a tiresome, temperamental place to govern, and one can sense from the dedicated care with which the author noted every detail of fauna and flora and scene on his travels, and the meticulous research that he carried out afterwards in archives and libraries, that these peaceful coral islands served him as a kind of mental and physical retreat. To visit them and study their history became, one feels, the thing that gave him the balance and ease of mind to carry on with the frustrations and front-window stuff of his daily gubernatorial grind.

It is this which gives light and spirit to what would otherwise have been an uninspiring book on a rather limited subject. The sub-title "The lesser dependencies of Mauritius" would have been a less exciting but more truthful title than *Limuria*; but one would perhaps have been less disappointed. *Limuria* is the name given to a submerged continent, but unfortunately the book misses out the best parts of what remains—the granite islands of the Seychelles in which Gordon of Khartoum thought he had found the garden of Eden and where others have since sought and found paradise on a pension.

Most of the islands described in this book have Portuguese names, and the author has delved deeply to find out why the Portuguese went there and when, in their fifteenth and sixteenth century search for shorter and safer routes to India. He describes the

efforts of the Dutch and the French to oust them, and shows how in the end it was the perfidious English who came last into the field and stole all the plums.

One of the most interesting things about all the Limurian islands is that they were uninhabited when the Europeans found them, except by survivals like the Dodo. They were therefore virgin land as far as man and domesticated animals and plants were concerned. It is fascinating to read what man and nature, working for the most part uninhibitedly together, have done since then in the settlement and development of these islands.

Sir Robert Scott uses two distinct stylistic brushes to paint his picture. One is clearly marked Official Despatches, and though they are good of their kind, and clear, they pall after 182 pages. For the second part of the book an entirely different brush is used, and one is tempted to wonder whether the author was not trying to gear himself down to the requirements of the *National Geographic Magazine*.

Vast and Varied

The Face of Canada

By C. L. Bennet, G. Filion, G. Clark, M. W. Campbell and R. Haig-Brown. Harp. 229 pages. 21s.

THERE can be "no single key," "no simple evocation of the quality" of a country "so varied and so vast" as Canada. In this pleasant little book five writers have each contributed a description of a well-known, well-loved region. The summing-up of the westernmost province, British Columbia, applies also to the whole nation: "We are pockets of people, set down in a vast area and linked only by difficult ways." Perhaps it is this that gives its special quality to the Canadian character, the "vivid and exciting diversity," which is "the most distinctive feature of Canada herself."

There is some graphic and discerning writing, in the descriptions of both the Canadian people and Canadian scenery, especially in the descriptions of the Atlantic Provinces and British Columbia. There is a portfolio of excellent and well chosen illustrations, but there are no regional maps; the general end-paper map is quite inadequate to guide the reader through the geographic complexities of the text. There are a number of inaccuracies: the original uranium mine, for example, is misplaced on Great Slave Lake, instead of on Great Bear Lake; there are also some questionable generalisations—surely some areas in Toronto qualified as slums at least as late as the 1930s.

Despite such discrepancies in detail, these two hundred odd pages give a remarkably effective picture of a vigorous, lively and interesting people, who, cherishing both time-honoured traditions and up-to-the-minute innovations, live in a land of many-sided beauties, a land offering a fine and stimulating mixture of problems and opportunities.

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"Stubby" Carver, the man who cut himself out a reputation as the world's finest pencil sharpener, is out of a job.

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The Chairman has bought himself an *electric* pencil sharpener.

"Zum noo-fangled gadjit" was Stubby's description of it.

But the Chairman told our reporter: "It's fantastic, Sir. Entirely automatic, y'know. Not even a switch to press. You simply *dip* your pencil in, hold it there just a couple o' seconds, and you've got a *perfect* point."

"It's an immaculate-looking instrument too (not like old Stubby!). Self-contained . . . no flex trailing about. Looks extremely smart on me desk."

Stubby's dismissal is causing consternation in the pencil sharpening trade, and a Union meeting has been called for tomorrow to "ascertain the seriousness of the situation."

Meanwhile, businessmen all over the country were today sending their secretaries out to buy Kent Kordless Electric Pencil Sharpeners. It looks as though automation is here to stay!

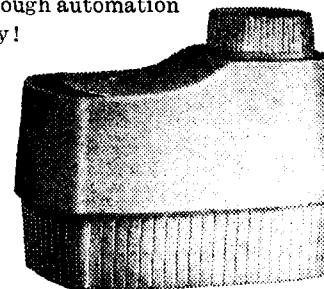
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Rhodesian Troika

SIR—Your leading article of July 1st does not, in my opinion, represent the kind of objective survey one normally expects from *The Economist*. The Monckton Commission did not recommend “the certainty of self-government under African control”; therefore the conclusion reached in your article that the eventual break-up of the Federation of Rhodesia and Nyasaland is certain, is wrong.

The generalisation made about the population of the three territories gives the impression that the only solution in the minds of the Federation's eight million people is a hand-over to black government, with the whites participating as individuals. The fundamental difference between this point of view and that held by both Africans and Europeans who believe in inter-racial partnership is that the latter believe that European political supremacy should give way to a direct partnership between the races in the Federation of Rhodesia and Nyasaland. Any suggestion that there should be an immediate hand-over to extremists of either colour would be strongly resisted by the moderates of all races, who constitute the majority of opinion in the Federation.

Your article implies that whites in the Federation are virtual newcomers and temporary settlers. This is quite wrong. Although there are many Europeans who have gone to live in the Federation in recent years, these people have only strengthened the ranks of a community that has deep roots socially, politically and economically in the Rhodesias and Nyasaland. The fact is that the Europeans in Central Africa are as permanent a part of the nation as the Africans, a large percentage of whom entered the territories only a short while before the arrival of the first European pioneers.

Your correspondent states that there is no reason in the nature of the two territories why Northern Rhodesia should not have the same constitution as the one granted to Nyasaland. The answer is, of course, that the two territories are totally different. Firstly, the ratio of Europeans to Africans in Northern Rhodesia is far higher than in Nyasaland. (There are, in fact, more Europeans in Northern Rhodesia than in all the East African Territories, and this fact must be borne in mind when considering Northern Rhodesian affairs.) Secondly, whereas Nyasaland is predominantly an agricultural country, Northern Rhodesia has a highly developed industrial economy dependent upon European enterprise and skills coupled with increasing African initiative and competence.

You state that the only hope for a parliamentary solution in Northern Rhodesia lies in coalition. If this is so, it is not neces-

sarily something to be deplored—in fact, if such a coalition brought the various races together to form a government, then it would serve a good purpose. But the best solution is for a genuinely multi-racial party to be returned by the electorate. It is a grave reflection on the Colonial Office to suggest that it would require the manipulation of constituency boundaries and a trafficking in votes to give its policies any chance of success. The fact should be emphasised that the delimitation of constituencies is to be the responsibility of a judicial commission presided over by a judge or a former judge. Impartiality is thus assured.

I would hope that you would consider giving the new constitution a fair chance, and that you would exercise your great influence in the United Kingdom and elsewhere to support what we believe will be a major step forward, despite its complexity.

The Monckton Commission said:

To break up the Federation at this crucial moment in the history of Africa would, we believe, amount to an admission that there is no hope of survival for any multi-racial society on the African continent, and that differences of colour and race are irreconcilable. We cannot agree to such a conclusion. We believe rather that the object should be to preserve the benefits of the Federation by re-casting the structure of the present association in a form more acceptable to its inhabitants.

One might fairly expect responsible opinion to encourage acceptance of the new arrangements in Northern Rhodesia as a step in that direction, and it is for this reason that I plead for an objective examination of current developments in my country rather than the abandonment of faith in the possibility of achieving a truly inter-racial solution to our affairs.—Yours faithfully,

A. E. P. ROBINSON

High Commissioner for Rhodesia and Nyasaland

London, WC2

[The Monckton Report, chapter 7, paragraph 114, states that a “comparable advance” to that in Nyasaland will be essential in Northern Rhodesia in the near future. It calls for a public declaration from the British Government “as soon as possible” that “further constitutional advance towards full self-government will be made there in the near future.” It adds: “Most of us . . . are content to recommend that there should be an African majority in the Legislature and an unofficial majority in the Executive Council, so constituted as to reflect the composition of the Legislature.”]

Motorists' Knock

SIR—The average motorist does not insure to get “his money's worth,” as your Special Correspondent states in your issue of July 1st, but in order to secure protection. In confining his references to claims to those arising from collision damage, your correspondent ignores the fact that many cars are stolen and some catch fire. These quite

THE ECONOMIST JULY 15, 1961

normal occurrences tend to produce a heavier claim than the “really savage ‘prang.’” Third party claims, to which your correspondent never once refers, may also cost thousands of pounds each to settle. Court awards in the region of £10,000, or considerably more in cases where severe injury leaves disfigurement or disablement or both, are commonplace, and the daily press reports these sad cases with sickening frequency.

“The careful, skilled driver” does not pay for the sins of the “less accomplished road user.” The published rates of insurance companies are minima, and many motorists pay considerably more or have to accept restrictions in cover because of their accident records, though being human they do not advertise the fact. It is quite incorrect to suggest that a bad driver who “cost his insurance company as much as £100 a year” over a period of five years would suffer nothing more by way of penalty than the loss of his no-claims discount. Well before the end of this period remedial action would have been taken, probably by an increase in premium, and a requirement that the motorist should pay a portion of each claim himself.

Your correspondent, however, is quite correct in stating that “No claims bonuses are often lost through no fault of even the best of drivers.” The bonus or discount is just what it says it is. The policyholder is only entitled to it if he does not make a claim, but it is usual to continue to allow it if his insurance company is in a position to recover his loss or is prevented from doing so solely because of an inter-office agreement.

The suggestion that insurance companies should “argue the case, taking it to court if necessary” where “blame cannot immediately be ascertained,” is quite unrealistic. The great majority of motor claims come within this category and not, as your correspondent infers, a small minority of them. Cases where the liability of one party or the other is clear cut are comparatively rare. One wonders what levels premiums would reach if insurance companies did as your correspondent suggests, with all the attendant legal costs and vexing delays for policyholders in the settlement of claims while the law takes its course.

Finally, whatever incentive the no claims discount may be in practice, it must clearly have a limit: only by maintaining a certain level of premiums can insurance companies obtain the necessary pool of income with which to meet claims. The principle of insurance is that “the losses of the few light upon the many,” and the premiums of those not making claims very often—which means most of us—cannot be reduced below a certain level. Accident-free motorists pay minimum rates and enjoy maximum discounts, but even for them the stolen car or the £15,000 third party claim may be around the corner.—Yours faithfully,

ROGER BARNETT

Chairman, British Insurance Association

London, EC2

THE ECONOMIST JULY 15, 1961

Bank Staffs

R—My attention has been drawn to an article appearing in *The Economist* on June 1st, entitled “More Starch for the White collar,” in which the term “quisling” was used synonymously with membership of bank staff associations. Care was exercised by your contributor in that it was made clear that this was an interpretation by him placed upon propaganda emanating from the National Union of Bank Employees.

At its best, the word quisling could imply puppet, but the generally accepted meaning is surely that one so styled is a calculating betrayer of his fellows, aided and abetted by his masters.

The members of my association deeply resent this insinuation, possibly made unwittingly, and certainly without foundation, since the trade union concerned has ever dared to use the word in its publications and has been careful to exclude this association from its recent campaign, supported by the Trades Union Congress, against some bank staff associations as being allegedly dominated by their respective employers. Furthermore, a few years ago representatives of the trade union freely signed a joint agreement at the Ministry of Labour, concluding with the statement that both the National Union of Bank Employees and the bank staff associations are properly constituted organisations entirely controlled by their members independently of the employers.

In these circumstances I consider that the linking, however inadvertent, of the word quisling with members of bank staff associations was, to say the least, unfair and not in accordance with the established facts.—Yours faithfully,

J. J. ELLIS
Chairman

Lloyds Bank Staff Association

[The phrase in our article of June 3rd to which Mr Ellis takes exception—that the National Union of Bank Employees “affects in its public pronouncements to regard the staff association members as dupes or even quislings”—was not intended, either directly or by implication, to express the view of *The Economist* that, as indeed the wording should have made clear; nor did the phrase, which was simply our interpretation of the union's public attitude towards the bank staff associations generally, have any specific reference to the members of the Lloyds Bank Staff Association—who are not, we are sure, either “dupes” or “quislings.”]

Spain Discovers Europe

SIR—There is light and shade in Spanish life, as in that of any other country. For this very reason a good picture of the whole can only be obtained if details, open either to praise or criticism, are inserted within a comprehensive and objective appreciation of what a country is and what its people stand for. The report in your issue of June 30th gives an impression of Spain which is fragmentary and biased.

To take a few examples. The only idea we get from your article about the Spanish Church makes it appear as a body dedicated to political intrigues and the persecution of dissidents. Not a word is said about the

LETTERS

church's role in guiding and stimulating the ample and rich spiritual life of millions of Spaniards—an asset for Europe from whatever point of view you look at it.

If the Spanish Army worries only about securing for itself privileges and good pensions, then why should Spain be linked with the United States by defence agreements of undeniable military value?

The economic development and rising prosperity in Spain seem, in your article, to be solely the result of a series of external circumstances and of the action of a number of international organisations. We must recognise the importance of all this, but I find no reference to the hard work of Spaniards, or to their inventiveness and tenacity. Nor is there acknowledgement of the administrative planning and effort, of the political courage shown in decisions as important as the setting up of the stabilisation plan.

Equally, your correspondent's appreciation of Spanish political life shows an obsession with certain marginal groups. By adopting that method, one could describe the British scene solely by referring to the Independent Labour Party, the Communist Party, the Fascist sympathisers and the League of Empire Loyalists.

In the introduction to your report, the writer juggles with the frontiers and he does the same with the centuries. From the Arab apogee in the south (circa 932), down to the Second Spanish Republic (1931), there is only a series of dark nights. But what do we make of our most European Middle Ages, when the English princes looked for the natural alliance of Castille? What happened in our splendid Renaissance? What is dismissed as “deep involvement in America” had as its result the birth of international law and of some twenty civilised and independent countries. What sort of dark night is that, which has produced Cervantes, Lope de Vega, Velasquez and Goya?—Yours faithfully,

LUIS GUTIERREZ SOTO
President of the Supreme Council for the Colleges of Architects of Spain

Used Cars for Export

SIR—The article entitled “New Regulators for Old” in your issue of May 27th cites two factors which have an important bearing on the home market for new cars. These are the “Cuthbertson effect” of the incidence of hire purchase commitments and—partly depending on this at the moment—the demand for second-hand cars.

The second of these factors could undergo a startling change if in this country the motor trade were enabled and, indeed, encouraged to take advantage of the tremendous demand for good second-hand cars which exists in many countries overseas. Our competitors among car manufacturing nations, notably Germany, have a thriving export business in this trade, and the second-hand cars may well be the forerunners of increasing demand also for new models. British dealers are entirely

prevented from even attempting to enter this lucrative export market because purchase tax distorts values of used cars on the home market from which they must originate. Thus a car which is twelve months old may well carry a second-hand value in this country above the ex works price of the new vehicle overseas.

The export of second-hand cars could be made possible if purchase tax were to be refunded in full as the vehicle leaves these shores. The procedure for this could be arranged quite simply on the lines of the well-established duty drawback which is now applicable where items are re-exported.—Yours faithfully,
H. W. HEYMAN
Gateshead-on-Tyne

Canadian Questions

SIR—I have read with great interest and respect the articles on May 27th by your special correspondent on our Bank of Canada—Department of Finance situation.

I cannot resist, however, making two semi-critical comments. I passed on the article to a colleague with the comment: “Will you tell me the meaning of the last paragraph on page 919—which way is he going?” To which my colleague replied: “He is comfortably impaled on the picket fence and can in future take either side.”

My other comment is this: I question your correspondent's somewhat patronising attitude towards the members of our cabinet, with the exception of Fleming. I often have occasion to say that I regard you English as the greatest people in the world, but sometimes you lessen your influence by a kind of unnecessary attitude of superiority. I have some knowledge from my undergraduate days (I was one of those queer creatures—a Rhodes Scholar—at Balliol) of people in the top echelon in England, and much as I admire them I do not feel it necessary to put our own best people below them, with the exception, of course, of a few like Churchill.—Yours faithfully,
J. M. MACDONNELL

House of Commons, Ottawa

[Our special correspondent was, and still is, uncomfortably impaled on the horns of his Canadian dilemma, seeing no easy way to get off. Hence his inconclusiveness. He still regards his comments on Canadian ministers as fair, and apologises for any unintended loftiness towards the men with whom Mr Macdonnell served until recently.]

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Other Securities	2,889,022
Loans and Discounts	289,333,672
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Customers' Liability for Acceptances	20,880,781
Accrued Interest and Other Resources	4,399,832
	<u>\$628,779,888</u>

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Surplus	20,000,000
Undivided Profits	10,093,625
Reserve for Contingencies	5,486,862
Dividend Payable July 1, 1961	810,000
Deposits	535,490,131
Acceptances	21,666,566
Reserve for Taxes, Interest, etc.	5,024,821
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Hoffa the Elect

FROM A SPECIAL CORRESPONDENT

"STICKS and stones may break my bones but words are only yesterday's whispers," Mr James Hoffa told 2,000 wildly cheering delegates to the convention of the International Brotherhood of Teamsters last week when they re-elected him overwhelmingly as president of the largest trade union in America. This triumph, in the face of continual attack from the press and the government upon his use of the power which he has won in the trade union movement, symbolises some of the most pressing problems faced by American society.

No member of the teamsters' union was surprised by the virtual unanimity with which Mr Hoffa was confirmed in his control over the huge organisation which once represented only lorry drivers, but which is now far more comparable to a general trade union in Britain. Mr Hoffa enjoys so much support from the members that there was no need for him to rig the election of pro-Hoffa delegates from the local branches. It is one of the paradoxes of the American labour scene today that his election was carried out in strict conformity with the provisions of the Landrum-Griffin Act—a law to punish abuses by the trade unions which was designed, partly at least, in the hope of trapping the apparently invulnerable leader of the teamsters. But Mr Hoffa was determined that there should be no grounds for challenging his election this year, as there were last time. The board of monitors appointed by the courts to supervise the affairs of the union after a group of rank-and-file members brought a suit to contest his first election was dissolved only in March.

Few trade union gatherings have received as much attention as the one that the teamsters have just concluded in Miami Beach, Florida. According to Mr Hoffa, the watchers included the government forces which are still actively pursuing him. Before the convention he charged that more than 150 agents of the Federal Bureau of Investigation were scouring the country looking for any signs of illegality in the choice of delegates or anything else that might be used to prevent him from being confirmed in the presidency, to which he thought he was more than entitled. During the convention Mr Hoffa warned the delegates that female agents of the government might use their wiles to uncover evidence against him; and later during the proceedings he showed the delegates an electronic listening device which he said had been hidden in a television set to eavesdrop on his conversations.

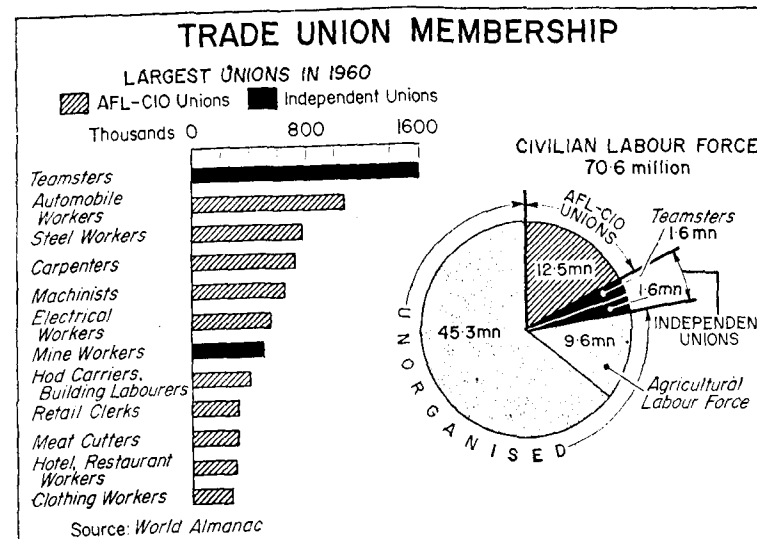
Whether such accusations were true or not made little difference to the delegates, many of whom were officials of the

union, but the convention acted as if it believed the charges. Mr Hoffa, sure of himself and his re-election, used the campaign against him as another opportunity to flay those business groups and politicians who, he said, fought him only because he represented the best interests of the workers. The press, radio and television were also castigated for their attacks on his "dictatorship" and his association with figures from the underworld. Mr Hoffa pointed out that in spite of these allegations the union had grown under his leadership in a period when almost every other trade union in the country had lost members.

It is certainly true that the Brotherhood of Teamsters has grown, although perhaps not as much as its public statements claim. Mr Hoffa also seems to be winning his fight with Mr Meany, the president of the American Federation of Labour and Congress of Industrial Organisations, whom Mr Hoffa characterised at the convention as a "dopey, thick-headed Irishman." The presidents of three unions belonging to the AFL-CIO addressed the convention even though the teamsters had been expelled, on grounds of corruption, by the federation and the AFL-CIO had put a ban on any pact with the outcasts. This ban has proved impossible to enforce because the help of the teamsters, with their control over road transport, can mean the difference between success or defeat to other trade unions when they engage in strikes.

Mr Hoffa announced confidently that the teamsters are going to seek new members in so many fields (some of them already occupied by AFL-CIO unions) that it would "take a Sears Roebuck catalogue to list them." He went on to predict that the teamsters will be readmitted into the AFL-CIO within 18 months adding, as an afterthought, the threat that, if they were not, he would start a rival federation. He also underlined his determination to step up vigorously the legislative lobbying and other political action already being carried on by the teamsters' political arm, DRIVE, whose initials stand for Democrat Republican Independent Voter Education.

To finance the campaign for new members the convention approved Mr Hoffa's request that union dues should be raised a dollar a month and that 60 cents of this—about \$12 million a year—should go to the headquarters. Part of this money will also be used to meet the rise in Mr Hoffa's salary which was approved by the delegates. He will now receive \$75,000 a year, making him the highest paid trade union official in the world. His explanation for the increase—that if he were president of a corporation representing 1,600,000 people he would be paid a great deal more—reflects



his philosophy of trade unionism: it is a business like any other business in America. This attitude is obviously shared by most members of his union for, in addition to voting him an increase in salary, they gave him more power to conduct the "business" without the burden of frequent consultations with the members. Real authority is now vested formally in the headquarters; power flows from the centre to the branches, not the other way round.

The potential strength represented by that central authority poses a problem for the American economy. In recent years the teamsters' union has reflected the tendency toward larger business units in the transport industry and has also helped to accelerate that development. Now some employers and legislators profess to feel that the country may be held to ransom if Mr Hoffa succeeds in welding together a trade union structure with effective economic control over all transport by road, sea and air. Even the railways would not be immune because goods must be delivered to them and picked up by motor transport and because more and more loaded lorries are being carried "piggy-back" on the railways. To meet this possible threat there are ominous rumbles of federal legislation which would seek somehow to break up the teamsters' control of transport.

Perhaps the most astonishing aspect of the entire convention was that it revolved around a man who, most people believed four years ago, would be in prison by now. Instead, Mr Hoffa has been acquitted on the charges of bribery and wiretapping of which it seemed almost certain that he would be convicted. A third charge now pending against him, of having used the post to defraud members of his trade union in a property deal, is hung up in the courts with a good likelihood that it will drag on for years and come to nothing.

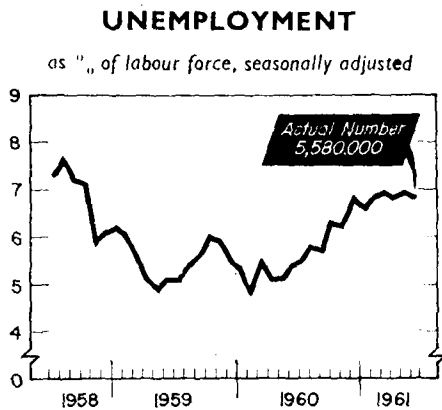
All his successes have made Mr Hoffa cockier than ever: "I may have faults but being wrong isn't one of them." Some of his less savoury associates, who worked their way up from the underworld, are still holding office in the union even though it is hard to believe that they have cut themselves off completely from their old connections. But Mr Hoffa shows no disposition to get rid of them and the convention did not seem to be disturbed by his refusal to dismiss them from their posts. At the conclusion of the election for the presidency Mr Hoffa's lone opponent, who gathered a few sickly votes, announced that he would support him as head of the union against any attacks made from outside. And so long as Mr Hoffa continues to concentrate on increasing the standard of living for his members he can probably count on similar support from all the teamsters.

Lagging Jobs

WITH the present worry about the long-term demand for the ever-growing supply of labour in the United States, there is naturally concern at the way in which unemployment has held steady for seven months at only just under 7 per cent of the labour force. But in fact the figures for June are fairly encouraging, especially from the short-term point of view. Total employment at 68,706,000 showed a satisfactory gain over May and was at a record for the month; admittedly this was by only a few thousand jobs and admittedly unemployment was also at a record. But both records were the result of an unprecedented influx of teenagers into the labour market as the schools and colleges closed for the summer; 1,600,000 of this first wave of war-babies found jobs while 900,000 were out of work, but only about a quarter of all of them wanted permanent employment; the rest plan to continue their education in the autumn. There was little change in the number of people out of work for long periods, although there was a drop, from 96 to 88 out of 150, in the number of industrial centres

having "substantial unemployment." There was also a marked improvement in the number of adult men in jobs, which went up by 500,000 in the month; this increase was more than is expected at this time of year as was the increase in manufacturing employment which, however, still lags behind the summer of 1960.

There is nothing unusual about the failure of employment to pick up as sharply as other economic indicators after a recession. Not only do manufacturers who have dismissed employees when business has fallen off find that they can manage permanently with fewer workers on a particular operation; they also hesitate to rehire people until they are sure that there will be steady jobs for them. A recent study by the Department of Labour of the steel industry



illustrates the effects of this: output of steel went up by 13 per cent between February and April, but employment in steel rose by only 2 per cent; the industry laid off 150,000 workers, one in four, during the recession and apparently does not intend to rehire more than about one-sixth of these for the present, although it has been

doing well recently and does not expect the summer slow-down to be as severe as usual. Much of the sharp increase in the country's industrial output since March has been achieved by working existing employees overtime; in June the average work week in factories was back to the 40.1 hours (including 2.4 hours of overtime) of early 1960 and average weekly earnings in manufacturing went up to a record of \$94.24. This has much to do with the cheering rise in retail sales in June, for the second month in succession, a rise which is likely to continue.

Defence Tactics

THE experimental Midas (Missile Defence Alarm System) which the Air Force launched this week is the first of these "sky spies" to have an orbit taking it across the Soviet Union. The function of its infra-red sensors—which are so delicate that they are said to be able to pick up the heat of a lighted cigarette eight miles away—is to detect, from the heat of their exhaust, any missiles which may be launched from Russian territory. When the whole Midas network of satellites is in orbit, it should double the present fifteen-minute warning of any missile attack which is provided by the radar screens in Britain, Greenland and Alaska. But this is rather remote comfort in a week when Mr Khrushchev has been threatening to increase Russian military spending by a third and to postpone his promised reduction in Soviet military manpower—particularly as no one knows how the Russians will react to this intruder into their air space.

The likelihood seems to be that further increases in military spending will be the American response to the heightened tension over Berlin. Last Saturday Mr Kennedy, after consulting Mr McNamara, the Secretary of Defence, Mr Rusk, the Secretary of State, and General Taylor, the President's own military adviser, decided upon a new review of the adequacy of American military strength. This call for "more words" instead of action which would impress the Russians evoked nothing but scorn from the *New York Times* and *New York Herald Tribune*. But it is being taken seriously in Washington. The report is said to be due this week or next and the Senate Appropriations subcommittee is urg-

MANUFACTURERS TRUST COMPANY
NEW YORK

STATEMENT OF CONDITION, JUNE 30, 1961

RESOURCES		LIABILITIES	
Cash and Due from Banks	\$ 994,743,213	Deposits	\$3,236,511,175
U.S. Government Securities	783,309,237	Outstanding Acceptances	130,853,887
U.S. Government Insured F.H.A. Mortgages	73,231,221	Liability as Endorser on Acceptances and Foreign Bills	49,842,416
State, Municipal and Public Securities	265,670,567	Other Liabilities	6,455,480
Stock of Federal Reserve Bank	6,023,400	Reserve for Taxes, Unearned Discount, Interest, etc.	39,656,074
Other Securities	25,870,643	*Reserve for Possible Loan Losses	54,879,293
Loans, Bills Purchased and Bankers' Acceptances	1,408,815,211	Dividend Payable July 15, 1961	3,275,350
Mortgages	46,195,830	Capital Funds:	
Banking Houses and Equipment	24,188,045	Capital (5,039,000 shares—\$20 par)	\$100,780,000
Customers' Liability for Acceptances	128,759,568	Surplus	100,000,000
Accrued Interest and Other Resources	15,293,909	Undivided Profits	49,847,169
			250,627,169
	\$3,772,100,844		\$3,772,100,844

*Applicable to cover such future loan losses as may develop. None are at present known.
United States Government and Other Securities carried at \$177,370,337 are pledged to secure public funds and trust deposits and for other purposes as required or permitted by law.
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BANKERS TRUST COMPANY
NEW YORK

Condensed Statement of Condition — June 30th, 1961

ASSETS		LIABILITIES	
Cash and Due from Banks	\$ 790,700,089	Capital (Par value \$10 per share)	\$ 80,779,000
U.S. Government Securities	671,801,000	Authorized 8,460,000 shares	
Loans	1,683,820,128	Outstanding 8,077,900 shares	
State and Municipal Securities	104,946,822	Surplus	160,300,000
Other Securities and Investments	23,943,055	Undivided Profits	57,015,415
Banking Premises and Equipment	27,401,412		\$ 298,094,415
Accrued Interest, Accounts Receivable, etc.	12,551,089	Dividend Payable July 15, 1961	3,473,497
Customers' Liability on Acceptances	82,047,063	Deposits	2,975,422,241
Assets Deposited for Bonds Borrowed	9,044,506	Reserve for Taxes, Accrued Expenses, etc.	32,767,967
	\$3,406,255,164	Liability on Acceptances	84,772,218
		Liability for Bonds Borrowed	9,044,506
		Other Liabilities	2,680,320
			\$3,406,255,164

Assets carried at \$190,593,207 on June 30th, 1961, were pledged to secure deposits and for other purposes.
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STATEMENT OF CONDITION, JUNE 30, 1961

ASSETS

Cash and Due from Banks	\$1,975,837,187
U.S. Government Obligations	1,614,883,362
State, Municipal and Other Securities	438,094,031
Mortgages	226,595,886
Loans	4,317,743,222
Less: Reserve for Loans	113,171,468
Banking Premises and Investment in Realty Affiliates	73,301,495
Customers' Acceptance Liability	265,505,136
Other Assets	68,791,335

\$8,867,580,186

LIABILITIES

Deposits	\$7,735,265,443
Foreign Funds Borrowed	3,640,076
Reserve for Taxes	45,949,636
Acceptances Outstanding	272,221,502
Other Liabilities	84,832,952
Reserve for Contingencies	19,304,911

Capital Funds:

Capital Stock	\$174,594,425
(Par Value \$12.50 Per Share)	
Authorised 14,639,071 Shares	
Outstanding 13,967,554 Shares	
Surplus	400,000,000
Undivided Profits	131,771,241

706,365,666

\$8,867,580,186

Of the above assets \$554,576,318 are pledged to secure public deposits and for other purposes, and trust and certain other deposits are preferred as provided by law. Securities with a book value of \$64,415,766 are loaned to customers against collateral.

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ing the Administration to hurry if it means to ask for more money, so that the funds can be included in the \$43 billion defence appropriations Bill for the current year which the House passed a fortnight ago.

The amount being talked about ranges from \$1 billion to \$2 billion and even as high as \$5 billion—though how so much could be spent in time to affect the Berlin crisis this autumn is difficult to see. This would be in addition to increases of about \$2 billion already added by Mr Kennedy to the Eisenhower defence budget. (It is these past increases which, Mr Khrushchev considers, justify the Russians in spending more.) The Air Force is already trying to obtain part of any such additional money for more manned bombers, by exploiting the alarm in Congress over the impressive display of Soviet air power last Sunday. But the Administration's view is that at the moment no more is needed for aircraft or for nuclear weapons; any new funds would be used for conventional arms and for the training of the National Guard and of the reserves if some or all of these million or so men were called up to strengthen the Army.

Senator Byrd's Dominion

SENATOR BYRD and his 35-year old political machine—the most indestructible personal one in the country—still rule Virginia, the “old dominion.” On Tuesday, when Democrats went to the polls to choose their candidates for Governor, Lieutenant Governor and Attorney General (who are certain to defeat the Republicans in November), the machine and its reactionary approach to the problems facing the state triumphed all along the line. This was a bitter disappointment to the moderate progressives who had felt strong enough, for the first time, to put up a full list of candidates. It is also a set-back for better race relations and the expansion of government services necessary in the twentieth century, not only in Virginia but throughout the South. The only consolation is that Mr Albertis Harrison is a shade more liberal than the candidate for Governor whom the machine would have picked if it had not been alarmed by the challenge of the rebels.

Mr Harrison's victory had been expected. He was a much more urbane candidate, and a much more attractive one to women, than his opponent, Mr Stephens. Moreover Mr Stephens made one deplorable mistake: he denied, during the campaign, that he had ever sought the endorsement of Senator Byrd. When the Senator made public a letter, written last December, asking for just such an endorsement Mr Stephen's attacks on the machine looked hollow and self-serving. There still seemed hope, however, for Mr Stephen's running mates, State Senator Boothe and Professor Boyd, because the rest of Mr Harrison's team was too much for many influential people and some influential newspapers to swallow. The next Lieutenant Governor, Mr Godwin, favours the utmost possible segregation of the races. Both he and Mr Button, the next Attorney General, believe, like Senator Byrd, in keeping state spending and state taxes as low as possible, even at the expense of the schools and local communities.

But Virginians seem to have been unmoved by the threat to public education or by the need to foster economic growth, particularly in the depressed coal-mining areas, and thus to rescue Virginia from its present stagnation. As usual only about a third of the eligible voters went to the polls. Both Mr Boothe and Mr Boyd did better than Mr Stephens but they all failed to stimulate the outpouring of votes in the dormitory areas near Washington, in Norfolk, the great port, or in the mining towns which they needed to offset the machine's pulling power in the conservative rural areas. The rebels lacked money, and the support of trade unions and Negro organisations from outside the state was a

mixed blessing, lending colour as it did to charges that the reformers were no better than “socialist spenders.” Senator Byrd's sway over the old dominion has thus won a new four-year lease of life unless Mr Harrison sheds his political skin in office as has the present Governor, Mr Almond.

Bars against Diplomats

WASHINGTON, DC

IT is commonly said that one factor in the growing determination of the American Negro to assert his civil rights is the rapid spread of independent black-ruled states in Africa; it may be less well-known that the presence of growing numbers of African diplomats in Washington and at the United Nations in New York is exerting direct pressure on Americans to end racial discrimination, at least in certain limited areas. The new Administration had the good sense to realise that it was part of its policy of good-neighbourliness towards Africa to overcome the difficulties which African diplomats encountered in obtaining accommodation suited to their status in Washington; the nation's capital has not been racially desegregated for very long and, while strict colour blindness obtains in all public services, there is a considerable if unofficial racial discrimination in the large blocks of flats in good districts, mainly in the northwest area, to which the Diplomatic Corps gravitates when it does not want to live in the colonial shade of Georgetown.

Accordingly Mr Biddle Duke, the chief of protocol in the State Department, set up at the request of President Kennedy a special section to deal with these difficulties. The State Department has now called in the wealthiest property owners in the city and, with strong representations that the national security is involved, has induced them to desegregate a proportion at least of Washington's better-class housing—enough, in Mr Biddle's view, to break the back of the problem. A short time ago only 8 out of 211 flat buildings of the right kind would accept African diplomats. The State Department has always, of course, tried to help diplomats to find accommodation and a few estate agents have been willing to let flats to Africans on a “diplomats only” basis. But the department realises and has now made the property owners realise also—and state publicly—that special arrangements for black diplomats, with coloured Americans not being eligible for them, are not only intolerable to American pride, but also self-defeating insofar as they are aimed at giving the growing number of incoming Africans a favourable impression of the United States.

To provide homes for Africans has been made a test of the patriotism and wisdom of the real estate proprietors (who stand to lose money if in lowering the colour bar they lose some profitable white tenants). Equally the situation will be a test of the patriotism and good manners of the better-off white flat-dwellers in north-west Washington. The objective is now, quite simply, to open luxury apartments even in the most hallowed areas to all Negroes who can pay the high rents. Since diplomats, who cannot be sued for damages, are often classed as undesirable tenants (whatever their colour), the effect may be to give the well-off American Negro family (of which there is a fair number in the capital) a slight preference. And as some of the modern blocks offer tenants other facilities, such as swimming pools, it is even possible to foresee the breaking down of the colour bar in other directions.

The time, it is felt, is ripe; the African diplomat, senior and junior, is becoming a familiar feature of the city—though he sometimes wears his colourful national robes protectively to distinguish himself from mere black Americans. Fifteen years ago Asian diplomats from newly emancipated countries ran into some of the same prejudice, but this has now disappeared almost totally (though some Asians are darker in hue than some Africans). Another problem, however, is the great poverty of many of the

African states sending representatives to Washington and New York. They must live modestly on their meagre budgets, but they are all the more conscious of their rights and status. A snub to one is taken as an affront to a whole continent which, in this matter, has a very noticeable solidarity—enough, in fact, to affect the casting of votes in the UN Assembly.

THERE are now about 14 embassies of African states south of the Sahara in Washington, populated by about 80 diplomats and their families; this number will certainly increase and another 100 African diplomats are expected. At present the department's special section has about 30 African families on its books who want better places to live—which means flats in the "white" quarter. What the department aims at is a situation in which a black diplomat can enter any flat building advertising a vacancy without risk of being snubbed; that he should be able, in fact, to obtain housing not through the department's good offices, but on the open market. There has never been much difficulty for Africans trying to buy a house for an ambassador's or minister's residence, or for an embassy or chancellery; the department has, however, had to step in to stop them being ruinously fleeced. As discreetly as possible the department has also been working to end the snubs that Washington hairdressers, private schools, other service estab-

lishments and nearby seaside resorts sometimes hand out to Negro Africans.

But the department is also working beyond Washington. African diplomats there often represent their countries also at the United Nations and constantly drive to New York, where the United Nations works with civic organisations to handle the problem of accommodation. So the State Department has moved to end discrimination at bars, cafeterias and petrol stations along the route between the two cities. This passes through Maryland, a relatively broad-minded state; but a succession of incidents has made Africans assume that it is as apartheid-conscious as Mississippi. Now, however, the Governor has thrown his weight behind desegregation and, as the assessment of taxes on the property-owners along the road is more an art than a science, results seem assured. To maintain a colour bar and find that taxes are doubled will not appeal to many proprietors of cafés.

The State Department has a travel section whose duty is not merely to design tours for African diplomats in the United States but to make sure that there are no untoward incidents on the way. It also actively encourages African diplomats to move about with the express idea of getting white Americans, including Southerners, used to the representatives of independent Africa, and thus used to the idea that all coloured travellers ought to be received with courtesy and respect.

Unbalanced Travel

LAST year Americans continued to be the world's greatest travellers, though there are some signs that political unrest in various parts of the world and the effects of the recession are making them more cautious this year. In 1960 Americans spent \$2.6 billion, 11 per cent more than in 1959, to satisfy their thirst for foreign places. In the days of the dollar gap this would have been a source of public as well as private satisfaction but, now that it is the American balance of payments which needs correction, the salient fact is that Americans spent \$1.7 billion more on foreign travel than foreigners spent on visiting the United States. An article in the June issue of the Department of Commerce's *Survey of Current Business*, from which the charts and other figures in this article are drawn, devotes as much attention to incoming as to outgoing tourists.

The imbalance is worst in Europe, which is becoming more popular than ever with Americans; two-thirds of the increase last year in their total spending abroad went on travel to Europe and the Mediterranean. Their numbers rose even more sharply (by 20 per cent) than their spending (17 per cent), probably because people who go by air tend to stay a shorter time abroad than those who go by sea. Last year 602,000 Americans flew to Europe, compared with 230,000 who came by ship; even so, this was the largest number to come by sea for five years.

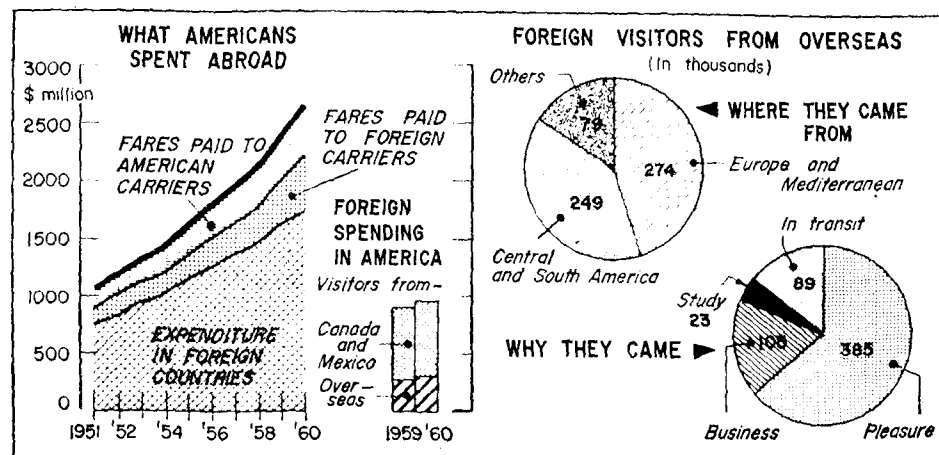
For the sixth year running Italy led the European attractions, partly perhaps because the Olympic games were held in

Rome but primarily because so many Americans of Italian descent return to visit their families and friends and to see the old country. France and the United Kingdom were close behind. On the other hand, spending by American tourists in Mexico and Canada, which together exceeds spending in Europe by Americans, rose only slightly. The West Indies and Central America suffered because the growing vogue of the Bahamas did not offset the big drop in the numbers who went to Cuba.

Americans visiting Europe spent about six times as much there as did Europeans visiting the United States—\$704 million compared with \$115 million. Partly this was a matter simply of numbers: 1,634,000 Americans went abroad—832,000 of them to Europe—while there were only 602,000 overseas visitors (exclusive of Canadians and Mexicans) to the

United States, 274,000 of them from Europe and the Mediterranean area. But the average American visitor spent about \$840 in Europe in addition to fares; European travellers in America spent only about half that. Europeans, it seems, have the bad habit of staying with relatives when they go to the United States and thus they economise. The new United States Travel Service, which Congress has just authorised, will have to stir up interest among people with no American cousins if the campaign to persuade foreigners to "See USA" is to bear fruit in the balance of payments.

Congress has not yet appropriated any money for this new drive but the Department of Commerce, anxious to get to grips with the problem before the 1961 season is over, is already looking for a firm to do the preliminary research work in the countries which the government considers should be tackled first: the United Kingdom, Germany, France, Venezuela, Japan, Australia, Brazil, Colombia, Italy, Holland, Belgium and Switzerland.



Legislators at Odds

FROM A CORRESPONDENT IN MINNEAPOLIS

SHAKESPEARE said that there was divinity in odd numbers, but he had no experience of those American State Legislatures which meet in odd-numbered years. Originally they all met every year but by 1900 forty-three states had abandoned yearly sessions in favour of biennial ones; more recently the trend has been changing slowly back again, as government at all levels has grown bigger with the increase in the population and in the demand for public services. Nineteen of the fifty Legislatures now meet annually, although nine of them may deal only with fiscal matters in even-numbered years. Minnesota, however, is still limited by its constitution not only to biennial sessions but to a duration of no more than ninety days for each of the regular sessions.

Yet Minnesota is no exception to the trend toward bigger government. It ranks midway among the states in population, with 3,413,864 people in 1960 as compared with 2,982,483 a decade ago, and the State Legislature, which appropriated \$280 million in 1951, appropriated \$567 million in 1961 for the two-year period which began this month. This year, Minnesota's 67-member Senate—the largest in the country—and 131-member House of Representatives met from January 3rd to April 17th in regular session. But, as in the preceding three biennial sessions, the Legislature adjourned without having come to grips with the major problems that required solution. So, on April 24th, the new Republican Governor, Mr Anderson, summoned the Legislature back for an extra session which lasted for another six and a half weeks.

DURING this extra session the legislators did manage to settle not only the question of appropriations but also that of how to find the necessary revenue with relatively little trouble, to everyone's surprise. Two years ago, the extra session dallied for the longest time in state history over whether to enact a withholding system of collecting state income taxes; but this year Minnesota became the twenty-sixth state, out of thirty-five which impose taxes on income, to withhold a percentage of the wage earner's pay at the source. The new Minnesota law stirred up ill-will in Wisconsin, the neighbouring state to the east, by providing for withholding taxes from the wages of Wisconsin residents who work in Minnesota. This meant that the Wisconsin Legislature, which was also in session, had to change its law in order to save those unfortunates from being taxed in two states. Two years ago Minnesota had had to do exactly the same thing when North Dakota, on the state's western border, changed its law to require Minnesotans working in North Dakota to pay taxes there.

Taxes in neighbouring states are frequently a factor in determining tax policy. Governor Anderson, casting about for new sources of revenue in 1961, fixed upon a 3 per cent levy on the sale of new motor vehicles as one such source. The House agreed but automobile salesmen fell upon the Legislature in hordes to protest that this would mean the collapse of an already sick business, because people would buy their cars in Wisconsin to escape the tax. That loophole was easily plugged by levying the tax upon new cars as they were registered in Minnesota. Nevertheless, the tax on motor vehicles fell by the wayside in the extra session. So did the 3 per cent tax on all retail sales which the Senate had recommended as a substitute, and which brought cries of protest from merchants in cities on the borders of other states which have a sales tax of only 2 per cent. The state budget was balanced in the end by raising existing taxes slightly.

Such complex issues are obviously intensely political, even though the Minnesotan legislators, back in 1913, abandoned political party designations for themselves (and for judges and all officials elected locally); the only other state to elect law-makers

without party labels is Nebraska. Once the candidates are elected they observe a strict factionalism which divides them into "Liberals" and "Conservatives" for the organisational purposes of choosing leaders, naming committees and dispensing patronage. It is no secret that Liberals are usually Democrats and Conservatives are Republicans—no secret to the initiated, that is. But it is never acknowledged on the ballot and as a consequence many voters choose their candidates on the basis of a familiar name. This tends to perpetuate the same people in office and, quite understandably, these old timers lead the fight against efforts to restore party designations.

Although they have no official ties with the two major political parties, the lawmakers reveal their colour when the chips are down. This year, for example, the Legislature had to arrange Minnesota's nine federal congressional districts into eight, because the state lost one of its seats in the House of Representatives in Washington as a result of last year's census. At the regular session the Liberal House adopted a redistricting plan under which two Republican incumbents would be pitted against one another, thus giving the Democrats an advantage. The Conservative Senate paired off a Democrat and a Republican. In spite of twenty-six joint conferences no solution was reached at the special session. This means that, unless the Governor calls another special session, which he says he will not do, all the congressional contenders in Minnesota will run "at large" in 1962 instead of for individual districts, with every voter in the state entitled to vote for eight candidates.

One thing the Legislature did do at the extra session, however, was to approve an amendment to the State Constitution, to be submitted to the electorate in November, 1962, which would lengthen the maximum duration of the regular biennial session of the Legislature from ninety to one hundred and twenty days. But some observers doubt whether any solution that fixes a deadline, no matter how distant, can be effective. They argue that the leaders of the majority party or any strong minority can always delay decisions until the closing day of a session so that per Bills may be pushed through with little consideration during the chaotic rush to meet the deadline. The Council of State Governments believes that Legislatures should be able to meet as often and as long as their responsibilities require. But many part-time lawmakers object to unlimited sessions. Farmers, who must plant their crops in the spring, say that they would be unable to serve and there are others who feel that they could not be spared from their regular jobs to attend long sessions. Some day service in State Legislatures may become a full-time vocation with sufficient pay to make it attractive. This happened in the Congress of the United States, but it took a long time to arrive even there.

Vaccines—Dead or Alive?

RECENTLY when Atlanta was threatened with an epidemic of poliomyelitis 300,000 doses of Dr Sabin's new vaccine—which is given by mouth and contains weakened live viruses—were rushed to the city to immunise all the children under fifteen years of age and over six weeks old. This stock—Dr Sabin's own—represented nearly all of the vaccine in existence in the United States. But its use has been sanctioned on an experimental basis by the Public Health Service and in June the House of Delegates of the American Medical Association approved of it in principle—much to the indignation of Dr Salk, the developer of the dead-virus vaccine which has been used in the United States since 1954 and which cut the number of cases of paralytic polio to 2,218 last year; there were only 260 deaths. Only 160 of the 2,218 people who suffered paralysis had had the recommended four doses of the Salk vaccine.

The advantages of the vaccine which contains live viruses were said by the experts of the AMA to be that it confers immunity more rapidly, a matter of importance when an epidemic is threatened; that the immunity lasts longer—perhaps as long as that gained by actually having the disease; and that it prevents those who are inoculated from acting as carriers of a disease to which they themselves are immune. Moreover, it is likely to protect everyone; the Salk vaccine is effective for only 80 per cent of those who are inoculated. This means that there is real hope of stamping polio out completely, if people co-operate—as they may when it is only a matter of swallowing a few drops of cherry-flavoured syrup. Rather less than half of all Americans between the ages of 20 and 39 have received three doses of the Salk vaccine, although the proportion is higher at younger ages, and there are disturbing signs of an increase in the paralytic forms of the disease. All authorities are urging people who have not had the full series of Salk doses to have them at once, because the Sabin vaccine is unlikely to be licensed for large-scale production until late this autumn. Six years ago, when the Salk vaccine was first put on the market, some people contracted polio from it; so far the Cutter Laboratories, the unlucky manufacturers, have had to agree to pay over \$1 million in damages and they have just been ordered by the courts to pay another \$675,000 to a single victim.

The pharmaceutical industry is also excited over the likelihood that by next year a vaccine will be on the market to control measles, a highly infectious disease from which there are more deaths than from polio and which may produce serious complications. In this case a "live" vaccine is also pitted against a "dead" one; the live virus gives more effective protection and requires only one dose, but, unfortunately, so far it produces too many of the uncomfortable symptoms of the disease. Further in the future—perhaps two years off—is a vaccine for infectious hepatitis, a serious and growing liver ailment.

New Haven off the Rails

THE fact that the New Haven Railroad is to be reorganised by a trustee under the Bankruptcy Act does not mean that the 30,000 commuters who rely on this line to bring them in and out of New York every day from Connecticut, Rhode Island and Massachusetts will have to add to the congestion on the already overcrowded roads or move into town. Bankrupt or not, the railway is not allowed to abandon its services without the permission of the Interstate Commerce Commission. But how the trustee will be able to keep the trains running is another matter. He will be excused from paying taxes, rent and interest but he will have to find cash for wages and supplies. Operating costs amount to about \$11 million a month and average revenues come to slightly less: the \$4.5 million which the company has in hand at the moment is likely to be exhausted by the end of July. The New Haven has not made a profit since 1956 and it lost \$11 million during the first six months of this year. The purpose of the trusteeship is to get the company back on to a sound financial basis by cutting out inefficient operations; but most of the possibilities for such reorganisation were exhausted during the railway's previous trusteeship from 1935-47.

The new trustee may, however, find the federal government more willing to go on coming to the rescue than did the present management. For months only federal loans have kept the trains running and the company owes \$35 million on loans granted or guaranteed by the government. But finally the ICC called a halt and last week the New Haven was ruled ineligible for a special emergency loan and thus was forced finally into reorganisation. Early this year the governments of the four states served by the line had agreed on a scheme for saving it but this was delayed too long to achieve

its purpose; in any case two elements in it—lower wages for railway employees and the abolition of federal taxes on railway fares—failed to materialise.

The New Haven's difficulties are the result of a long-term decline in industry, and therefore in profitable freight traffic, in the area covered by its 1,760 miles of line, of competition from road transport, accentuated recently by the opening of a super-highway running parallel to the railway, and of the increasingly uneconomic nature of the passenger services which provide a third of its revenue but on which it lost \$13 million last year. Nevertheless the New Haven is essential both for passengers and freight and it is inconceivable that it should be allowed to crash completely. Its plight underlines that of similar railway companies all over the country and the need for some special effort to save them.

Even Better Business

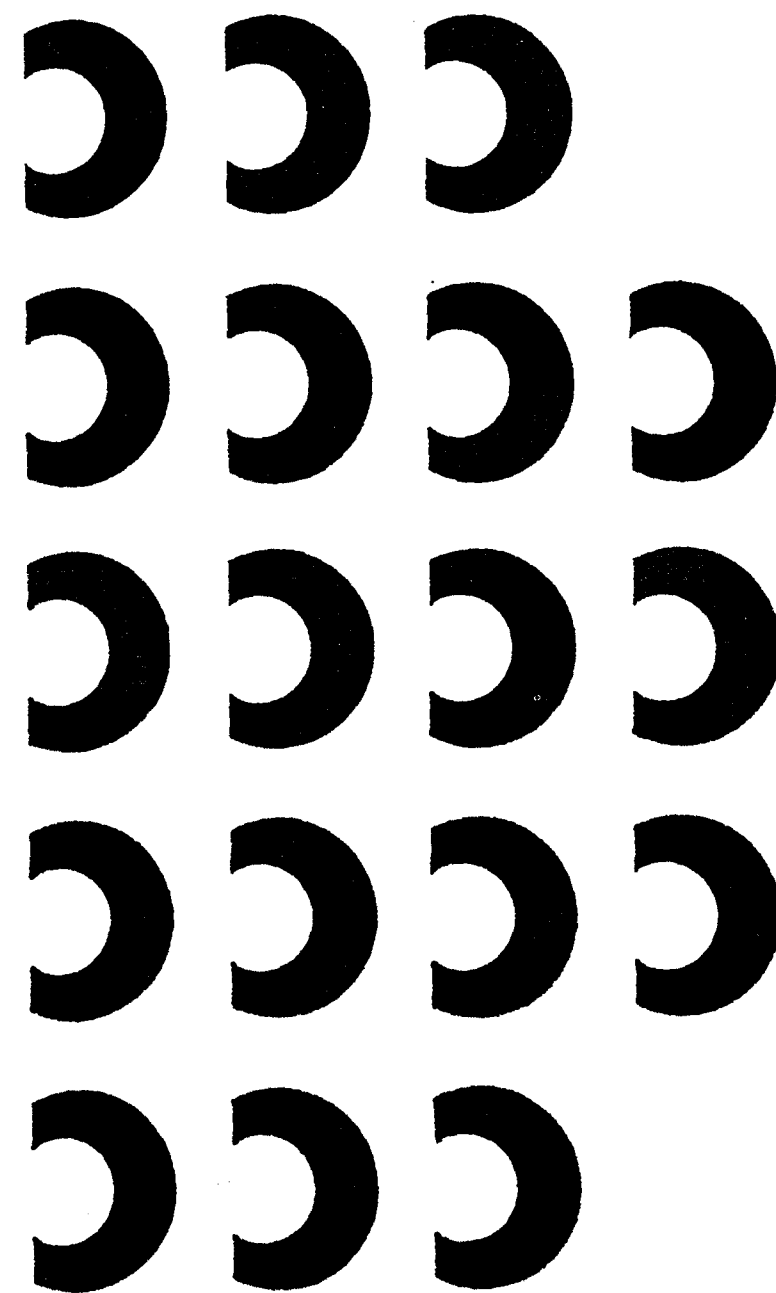
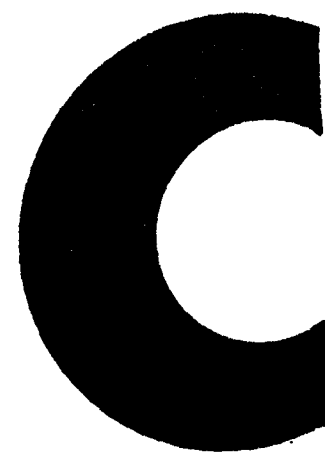
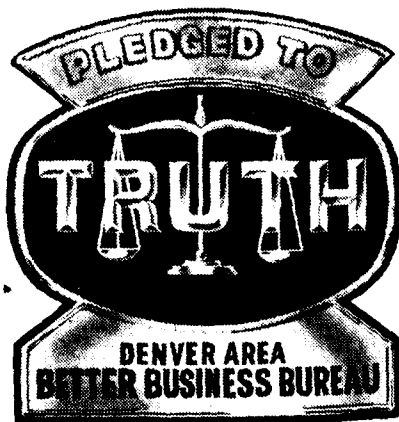
FROM A CORRESPONDENT IN COLORADO

HONESTY may be the best policy but it is to be advertised with caution. That at least would seem to be the lesson learned by the Better Business Bureau for the Denver area which has been put on probation by the national association of Better Business Bureaux because it sponsored a "truth emblem." Its member firms could display this in their establishments and use it in their advertising if they subscribed to a rigid code of ethical practice in their dealings with the public and paid \$180 each a year to cover the cost of policing the code. About 110 shopkeepers and service concerns had qualified when the national association condemned the arrangement at its annual meeting in May.

The goal of this association is to inculcate high ethical standards into businessmen's dealing with the public, by means of "persuasion, publicity, prosecution." The bureaux are financed by their members and most of the larger retail and service companies in a metropolitan area usually belong. With varying degrees of circumspection they try to expose at least downright "gyps" with the aid of the press and other media of publicity. But the bureaux have always shrunk from letting members make a sales point or take commercial advantage in other ways out of being affiliated to a BBB. This is where the Denver scheme went wrong.

Its directors claim that theirs is a new and potent means of establishing a standard for the contacts of businessmen with the public and of convincing the public that there is such a standard; this, they maintain, benefits all business. They refuse to give up their idea, but they have asked the national organisation to help them to get around the objections. One way might be to get local trade associations, rather than individual companies, to join the truth emblem organisation and to have the necessary policing financed by these associations. The whole affair has caused a considerable flutter in the advertising industry, with most people apparently feeling that the Denver scheme's guarantees of ethical treatment to the public go far too far, particularly since the benefits are reaped by individual firms.

Correction: Mr Max Ascoli informs us that the present circulation of *The Reporter* is about 170,000, not 129,000 as stated incorrectly in *The Economist* of July 8, 1961.

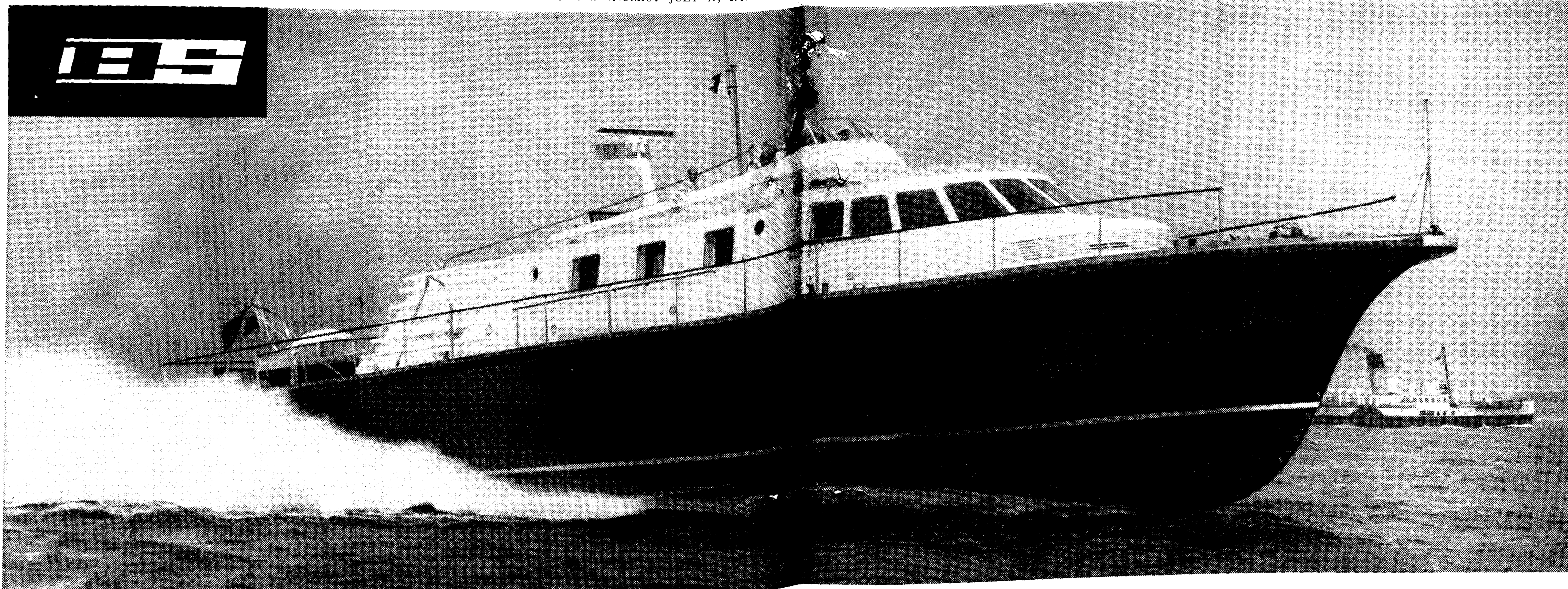


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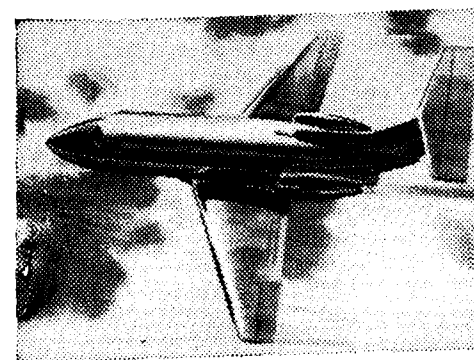
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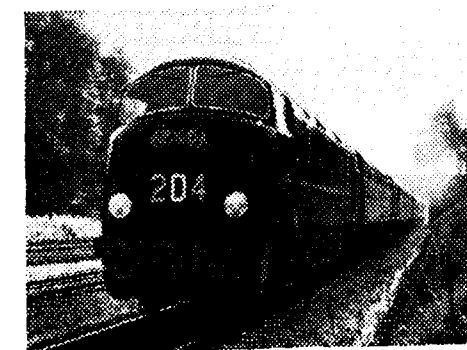
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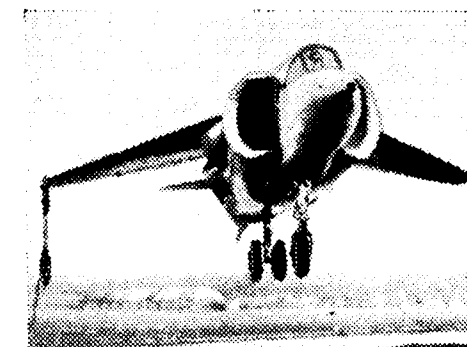
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THE WORLD OVERSEAS

Australia Infelix

FROM OUR CANBERRA CORRESPONDENT

IN his discussions about the common market in Canberra this week, Mr Sandys is believed to have been twice surprised—first by the quiet attention with which his long, and it is said very able, exposition was received (he had presumably been warned to expect a hostile reception) and secondly by the sudden onslaught of Australian objections on the third day of the talks. Mr Sandys was unable to outline to the Australian cabinet the kind of concessions to Commonwealth exports that Britain might hope to negotiate with the common market; the explanation given here is that the Six have refused to discuss these with British ministers in advance of actual negotiations. For the present, Mr Sandys was arguing in general terms the disadvantages of remaining outside and the importance of not being a small economic unit in these days of vast ones. All these points were well taken by his listeners. But when the time came for Australia to make its reply, this turned out to be a veritable blast.

The economic case was presented by the Minister for Trade, Mr John McEwan, who explained what was at stake—namely a market for £A170 million worth of Australian exports which are now sold to Britain and the Six and which would be badly hit unless special concessions could be obtained. Unlike New Zealand, whose difficulties, although acute, would be confined to three or four commodities, Australia would suffer over a wide range of exports. If and when detailed items of trade were discussed with the Six, Australia would expect to negotiate on its own behalf. Then Mr Menzies took up the tale with the political implications, arguing that the trend towards political unity within the common market would be certain to weaken the Commonwealth relationship whose strength was already impaired by the affair of South Africa. Mr Sandys argued that declining political power would weaken the Commonwealth, too, and even—less convincingly—that closer unity in Europe might strengthen Commonwealth ties.

These unresolved difficulties of opinion are reflected in the communiqué which was the result of hours of drafting and controversy. Mr Sandys would have preferred less emphasis on political points on the ground that these were matters of opinion and not of fact (in contrast to the economic arguments) and that their inclusion would make the disagreement between Britain and Australia seem wider than it is. Mindful no doubt of the possible effect on public confidence at home of a communiqué of no agreement, Mr Sandys also sought to persuade the Australians at least to express approval of exploratory negotiations, with a view to discovering the best possible terms of accession. But the Australians were adamant.

There were several reasons for their stand. The first perhaps is not a reason but a mood—the mood referred to in these pages last week. There was a hangover of distrust and resentment from the prime ministers' conference, a hangover which may since have been dispelled by pleasant plain speaking but which, when the talks opened, was hardly such as to produce a ready accommodation. Secondly, no concessions that can be negotiated on Australia's exports will be as helpful as the existing trade arrangements; and the present is a hard time to contemplate their abandonment. The balance of payments gap is only recently remedied; unemployment, though still low, is high by Australian standards; elections are

near—the Victorian state election is on Saturday and federal elections will probably be held in December. This is a time when parties and politicians vie with one another to appear as the implacable watchdogs of Australia's interests. It may be argued in reply that approval to start negotiations to explore the possibility of concessions would do no harm, and could be withdrawn if they seemed to be turning against Australia's interests. The fear is, however, that once negotiations are started pressure to continue them is great and might end with acceptance of a harmful compromise. The communiqué says that the question of accession is one for the British Government alone to decide; but that a lack of objection to opening negotiations does not imply Australia's approval. Disapproval is what is really implied, but perhaps not of a force that is intended to deter the British Government if it is convinced of the wisdom of its course.

Silhouettes by Twilight

FROM OUR SPECIAL CORRESPONDENT IN GENEVA

IN the grey penumbra of the international conference on the future of Laos, the greatest difficulty is to find enough shadows to enable the current bout of shadow-boxing to continue for as long as may be necessary. By twilight, shadow-boxing is more than usually strenuous, so the sixteen delegations—including three Laotian ones—though they show willing by meeting nearly every weekday, seem tacitly agreed to limit sessions to about an hour a day. That there is a need to prolong the bout is, again, tacitly agreed; just as it was hard to get the conference off the ground in the first place, so it is hard to get to grips in the absence of a single, representative and recognised Laotian government. Indeed, if the presence of three delegations, representing the right-wing Boun Oum government, the neutralist Souvanna Phouma one and the Communist Pathet Lao movement, is taken as an example of the troika principle in action, then it has provided a useful demonstration of its futility.

Widely, but prematurely, it was assumed that the three rival princes meant what they said when they met at Zurich last month and announced agreement on the procedure for forming a government of national unity. Since then, however, the participants have gone their separate ways. Prince Boun Oum went back to Vientiane, where King Savang Vatthana has let it be known that he does not agree with the suggestion in the Zurich communiqué that he should nominate a new premier, by-passing the national assembly. General Phoumi Nosavan—the Vientiane government's strong man—made a detour to Washington, where he told his American friends that he would not agree to the admission of Communists to a Laotian government. In Paris, Prince Souvanna Phouma has been telling callers that the next Laotian government, of which only he can be prime minister, will have to include an equal number of Communists and rightists. His half-brother, Prince Souphannouvong, the Pathet Lao leader, is back in Hanoi

after the inevitable stops in Moscow and Peking; out-Souvannaing the neutralist prince, he is saying that the only question now is to enlarge Souvanna Phouma's "legal" government, an argument that causes teeth to gnash among Prince Boun Oum's representatives who rightly point out that the Zurich communiqué made no such provision.

As for Prince Sihanouk of Cambodia, who first proposed the present conference and brought the Laotian princes together, he is again sulking in his tent. This cannot be called new; but it is always a disappointment when it happens. The burden of Prince Sihanouk's complaint is that "the great powers" did not like Cambodia's draft agreement on controlled neutrality for Laos. Like every draft, the Cambodian one had its imperfections, but it appears that Prince Sihanouk was hurt and discouraged by American—and even more by Chinese—criticisms of his proposals. The Americans did not like the Cambodian provision for a veto in the control commission, which was a concession to the Russians. The Chinese rejected out of hand his proposal for comprehensive control along the borders of Laos, including permanent control posts as well as mobile units; and indeed a control system that really worked would be a serious blow to Chinese and North Vietnamese plans.

To conclude from this unpromising background that the conference is a waste of time would be wrong; indeed, the two shadows that enable the shadow-boxing to continue are thrown by matters of real substance. One is the Communist insistence that the conference should give priority to a discussion of proposals for Laotian neutrality; the other, the American insistence that before doing anything else the conference should send comprehensive instructions to the international control commission in Laos, give it freedom to roam the countryside in search of violations of the cease-fire and provide it with vehicles, airborne or landborne, in which to do the job.

ON Monday Mr Pushkin, the Soviet delegate, rejected Mr Malcolm Macdonald's compromise suggestion that the conference should discuss neutrality and instructions to the commission on alternate days. Nothing could sound more procedural; but in fact it is a wrangle that goes to the heart of the matter. The Americans, with British and French support, are advocating a "truly neutral" Laos—detached, that is, from the great power blocks and protected from Communist or other encroachments by a foolproof inspection system. The four Communist delegations want an "independent and neutral" Laos which Marshal Chen Yi, the Chinese foreign minister—now back in Peking—has almost shamelessly defined as a Laos from which American and French military advisers, and alleged intruders from Siam and South Vietnam, together with "Chiang Kai-shek remnants" would be excluded, the control system being purely nominal. By implication—since the Communists do not admit the well-authenticated North Vietnamese military presence in Laos—the Chinese and their friends would therefore like to leave Laos wide open to infiltration from North Vietnam—or, when the time comes, from China itself. In the light of this approach the Americans are surely right to insist on the pressing need to define the control commission's powers and give it the tools for the job, for if the commission is kept impotent at this stage it will be almost impossible to give it potency later on.

In this and other ways the Americans are leaving no stone unturned in their efforts to undo past errors. Mr Harriman, permanent head of their delegation, has been to Paris to assure Prince Souvanna Phouma of full support in the event of his following a really neutral policy, and to Rome to assure Prince Sihanouk that his efforts have not gone unappreciated. A working understanding seems to have been reached between him and the neutralist Laotian prince, and though the Americans are cool

towards Souvanna Phouma's determination to place the control commission under his future government's orders, they have even recognised the inevitability of Communist participation in the next Laotian government. The prince, for his part, seems well aware of the danger of giving key posts to Pathet Lao ministers.

A new element in the conference is the return to Geneva on Tuesday of Mr Krishna Menon. Rightly or wrongly, everybody assumes that he sees himself in the role of peacemaker lately vacated by Prince Sihanouk; and expectancy runs high.

Francs, Ancient and Modern

FROM OUR CORRESPONDENT

HISTORIANS may see the West's current groping towards a new international monetary system as the beginning of a new epoch, comparable in importance to the development of banking within national economies. But this groping process may also appear as a striking example of the national differences which have, in so many fields, obstructed the road to a new international order in the postwar years. On one side the two Anglo-Saxon powers, whose "key currencies," pound and dollar, are widely used as reserves by trading nations (the gold exchange standard), are proposing pragmatic measures to strengthen the present system. With their two "key currencies" under strain, they are suggesting that the International Monetary Fund be strengthened by allowing it to grant credits in the new strong currencies, the franc and the mark. Most countries have acquiesced in these ideas, but strong objections are being put by France.

Behind the French resistance lies a wide range of doubts. Plain national motives play some part. Having been forced to come so often, cap in hand, to London and New York, to get support for an ailing franc, the French are relishing their first opportunity to throw back at the Anglo-Saxons the oft-repeated advice on good housekeeping to which they were so often subjected, pointing out, in their turn, that he who pays the piper calls the tune. As in politics, the French dislike the predominance in world economic affairs which the pound and dollar have enjoyed in the postwar years. Now that the franc and mark are strong they are anxious that their new strength shall not be used just to prop up the two "key currencies" and the system associated with them. The last part of the argument seems open to dispute. The Bernstein plan, after all, which would provide greater drawing facilities in marks and francs, may well tend to make the franc and mark "key currencies" too, held, like the pound and dollar, as reserves of trading nations. But the French dislike the IMF as the arena for collaboration because its voting arrangements give America and Britain a bigger say. They regard it as the keystone of a postwar system designed to preserve the pre-eminence of pound and dollar.

A series of articles published in many parts of Europe last month by M. Rueff, the main architect of France's economic reforms two years ago, have suggested a second reason for French doubts. In



Monnet: common currency



Rueff: back on gold

his analysis the gold exchange standard is dangerous, not because it is Anglo-Saxon, but because it is unstable and has allowed deficit countries to avoid paying their debts; he looks nostalgically back to the gold standard. M. Rueff cannot be identified with French government policy. But his articles are a pointer to one strand in French thinking. Like the Poincaré reforms of 1926-28, the Rueff measures in 1958 marked a sharp swing in French policy away from postwar fecklessness to bourgeois orthodoxy. The conservative trait that has led so many Frenchmen to put their money in a stocking and to invest in *rentes* has come out once more. Now that France is at last able to take a respectable place in the postwar financial community, it is peering suspiciously at the improvident habits which the western world has developed in the past few years.

It would be a great mistake, however, to imagine that French opposition to the Bernstein plan stems purely from conservatism or nationalism. Another school of thought—the integrationists of the Monnet school—also takes a critical view. To them, patching up the present system (à la Bernstein) is unattractive, because it does not go far enough, and might deflect attention from the need, later on, for more radical reforms, such as Professor Triffin's plan for a pooling of international reserves. As far back as last summer M. Monnet spoke in an interview with *US News and World Report* of the possibility of "a common currency," first for Europe and later for the West as a whole.

At first sight the juxtaposition of French conservatives and integrationists may seem strange. Yet they do have vital points in common. When orthodox economists, like M. Rueff, complain about the gold exchange standard and about the schemes to prop it up, their main criticism is that it permits governments to drift into random inflationary policies. The old-fashioned bankers' remedy is to return to the automatic discipline of gold. The modern-minded integrationist puts economic growth at the top of his priorities and so will have none of this. But he, too, feels that no currency system can work without a full-blooded integration of economic policies. Where the orthodox shirk the far-reaching political implications of Professor Triffin's scheme, the integrationists feel that the plunge is necessary if western states are to regain control of their economic destiny.

SUCH considerations have led both ancient and modern economists in France to feel that the new currency arrangements are best made, not in the 70-nation International Monetary Fund, but in the tighter Organisation for Economic Co-operation and Development, whose members hold 90 per cent of the western world's reserves. To the ancients, the International Monetary Fund reeks dangerously of improvidence; its location in Washington gives the undeveloped members too many opportunities for political blackmail. To the moderns, the essential integration of economic policies will simply not be possible in the sprawling IMF. They regard currency assistance to undeveloped countries—particularly when commodity prices collapse—as a vital task. But they feel that this is best carried out as an integral part of the collective effort the Atlantic community should make to develop within OECD common trade, aid and financial policies.

The French opposition to the Bernstein plan has a striking resemblance to the opposition that broke the old British plan for a free trade area. On the French side, a similar mixture of worthy and unworthy motives is leading to a growing resistance, still largely veiled in technicalities. As in the free trade area, there is the nationalist element—the *Schadenfreude* at the Anglo-Saxon plight, and the wish to assert France's role (and nuisance value). But there is also the more radical, constructive feeling that the new plans do not go to the heart of the matter. And just as over the common market it is proving possible to bypass French protectionism by coming to terms with the radical "Europeans,"

so, in the long run, more radical proposals than the Bernstein plan may bring new French allies against the bankers' excessive caution.

Certainly the integrationists see Britain as a potential ally in all this. They feel that if Britain, with its sterling problem, joins the common market it will be a powerful force for a radical reshaping of the world's currency system. More than any other country, Britain, with its overseas commitments and strains, has, they feel, an interest in a pooling of reserves on the lines of the Triffin plan.

At its meeting on Tuesday M. Monnet's Action Committee for a United States of Europe put forward two resolutions—one urging British membership of the common market, the other a plan for a European reserve pool (à la Triffin) for the enlarged community. The reserves of the Six, they point out, are now as large as those of the United States, and less encumbered by short-term debt. With part or all of this massive weight behind it, the position of sterling would be transformed. And once Europe had pioneered the way towards a new currency order, America would have a greater incentive than ever to join in more ambitious Atlantic monetary arrangements in OECD.

Germany's Hidden Majority

FROM OUR BONN CORRESPONDENT

THE two major parties contending the Bundestag election in September have these last ten days been notably wooing the woman voter. Herr Deist, the homely-looking economics "minister" in the Social Democrats' shadow cabinet, was the star speaker at a women's conference held under party auspices last weekend in the sombre Ruhr setting of the Oberhausen steelworks. (Herr Brandt disappointingly exercised his charms only by greetings telegram from farthest Schleswig-Holstein.) While it drizzled darkly outside, Herr Deist engendered warmth and light among the long tables in the works guest house. He assured the three hundred delegates from west Germany and Berlin that German women were numerically strong enough to determine the pattern of German society.

Dr Adenauer—by the nature of things a greater luminary—was in principle not quite so encouraging when he addressed a rally of 15,000 Ruhr women staged by the Christian Democrats at Essen on Monday evening. Yet, in his way, Dr Adenauer was being just as mindful as Dr Deist of the fact that more German women than ever before are likely to vote on September 17th according to their own lights rather than those of their immediate male mentor, and that more of them than ever before are weighing the pros and cons of the rival parties from the point of view of persons who earn their own living.

Of those entitled to vote in September, the women outnumber the men by approximately 20.3 million to 16.8 million. But the women do not usually poll in such strength as the men; and if the respective participation is roughly the same as it was four years ago—86.4 per cent of the qualified women to 89.5 per cent of the men—September's voters will consist of 17.5 million women and 15 million men. Of these potential women voters, some 9.3 million go out regularly to work; and of these working women, 3.6 million are married, and 2.4 million have children. Some 400,000 are war widows, who have had, and perhaps are still having, to look after families on their own.

The proverbial confinement of German women's interests to *Kirche, Kinder und Küche* was broken, not so much by the upheavals and exigencies of total war, as by the tremendous demands that were made particularly upon the womenfolk after Germany had capitulated. They had to go on struggling when the menfolk were at least being fed in prison camps. With immense courage and resourcefulness, millions of widows, grass widows, and single

women fended for themselves, their children and dependants in what must have often seemed hopeless circumstances. Many of them managed somehow to maintain the highest possible standards, as is testified by British observers of those days who so often saw the neat, clean figures emerging miraculously from the ruins of towns largely deprived of the normal public services. In the story of Germany's postwar recovery the early contribution of German women deserves special mention, as it does also in that of Berlin's resistance to the Soviet blockade thirteen years ago. Yet the circumstances of their increased responsibilities were at the same time peculiarly limiting. For they were occupied almost exclusively in providing the primitive necessities; the more widening social and administrative duties that also had to be undertaken in the absence of the men were mainly performed by the armies of occupation.

At Oberhausen, the "minister" for family affairs in the Social Democrats' shadow cabinet, Frau Käthe Strobel, justly chided today's German working women for not raising their sights. Too many of these nine million, often overworked, women, she said, considered their economic and social problems to be caused by some private fate of their own rather than by changeable faults in the structure of society. In theory, women enjoyed equality with men. In practice, there were still few signs of it. A Social Democratic government would make it its business to develop the part played by women in society and see that they had a larger say in the ordering of public affairs. In what she called "the pyramid of political power" in the Federal Republic, Frau Strobel estimated that women formed 2 per cent of the government and administration; 8 to 10 per cent of the parliamentary deputies; 10 per cent of the parliamentary candidates; 25 per cent of the party members; over 50 per cent of the active voters; and 55 per cent of the qualified voters.

FRAU STROBEL protested further that only 2.4 per cent of the judges were women, and only 186 university professors out of a total of 6,340. She also complained that there was a tacit conspiracy among employers to underpay women, and that most girl students at the universities and technical colleges (23 per cent of the total number of students) were inspired by anachronistic conventional ideas of a woman's career, not by a desire to cultivate their special talents or to make the most of the new opportunities for scientific and technical careers. Why, she demanded, had the Christian Democratic women in the Bundestag not done more, with their party majority, to raise the standing of German women?

But the delegates at Oberhausen were shrewd enough not to give the impression that it was career women they were chiefly concerned with. Pointing out—with one of those confident comparative calculations that leave one feeling terribly ignorant—that it takes the German worker 185 minutes to earn one pound of coffee while it takes an Englishman only 82, they promised the housewife that a Socialist government would progressively abolish the unspeakable coffee tax so beloved by the heartless Dr Erhard. And, among other kitchen promises, there would be a price council, on which women would be represented, to look after the general interests of the consumer.

No awkward questions were put to Dr Adenauer at his rally at Essen. He was among the faithful, schooled and happy to concede that father always knows best—particularly in the nasty rough and tumble of foreign politics. He appealed confidently for the women's vote on the score of the prosperity and security that his policies had given the Federal Republic. Should the Social Democrats win the election ("which I don't believe"), and if Herr Brandt were to become Chancellor, then, he said, the best thing to do would be to emigrate to the United States. This was not a very nice thing to say on the eve of his visit to Berlin whose elected and very popular burgomaster Herr Brandt is. But his listeners were delighted. At the close of the meeting, Frau

Aenne Brauksiepe, one of the Bundestag deputies criticised by Frau Strobel, gave the Chancellor a present to accompany him on his electioneering campaign. It was a case containing chocolate, eau-de-Cologne, handkerchiefs, a drinking cup, a detective novel, and a copy of "Women in World History."

Testing Time for Dief.

FROM OUR OTTAWA CORRESPONDENT

AFTER all the delays of Mr Duncan Sandys's visit to discuss the common market, he arrived on Wednesday at the height of a Canadian political crisis, with the parliamentary situation at its most explosive. The crisis has taken a form so personal and so dramatic that some observers compared it with "the Winthrop case" and others with ancient Greek drama.

It revolves, of course, round Mr James Coyne, the governor of the Bank of Canada. When the House of Commons debated the one-line government bill declaring his office vacant, the opposition parties refused to defend him, fearing, first, to take the side of a man whom Messrs Diefenbaker and Fleming attacked as having voted himself a \$25,000 pension, and fearing also to be associated with the popular idea of Mr Coyne's prescriptions for the Canadian economy which they assumed to imply a measure of austerity. They attacked only the method of Mr Coyne's removal and the government's refusal to give him a hearing before the usual house committee. The government's victory seemed almost complete.

But there then appeared a *deus ex machina* in the highly improbable shape of the Senate, an appointed body often regarded as a futile anachronism. Canadian senators are appointed for life, so many for each province, by the government of the day. The Conservatives have been able to appoint only a few since they gained power in 1957, so that even now the Liberal appointments number 75 against 25 Conservatives, with two vacancies. Out of a hundred senators today, only eleven are under sixty. But these old gentlemen, who are assured of \$12,000 a year for life, include at least a score of lawyers and former politicians of considerable intellectual distinction. Moreover, party ties are somewhat looser among them than in the Commons. It was natural for the Liberal majority to give Mr Coyne the public hearing that Mr Pearson's followers in the Commons could not secure. They gave him his "day in court," knowing that this would embarrass the government, and expecting that they could avoid later political embarrassment by passing the bill once Mr Coyne had been heard.

But it did not prove so easy for the senators. Mr Coyne appeared for two and a half sultry, sweaty days, in a jam-packed small committee room where reporters, senators and MPs often had to stand. He piled up a record, which no government spokesman and none of the Bank's directors appeared to answer, showing that the government had attacked the integrity of the Bank of Canada and impugned his own honour without proving any single respect in which he had violated the statutory requirement of "good behaviour," or in which he had failed to co-operate with government policy. Under hostile questioning by Conservative senators he never flinched and never failed to answer. Canadian and foreign reporters were first enthralled, then impressed and finally convinced.

The Conservative minority abandoned their attacks on his conduct before May 30th, when Mr Fleming had first demanded his resignation, and concentrated on his open defiance since. In spite of an open invitation, no one put in an appearance to refute him. The Liberal majority was satisfied that he had been unjustly accused by false government witnesses. They were quite prepared to say so—and then to pass the bill so as to keep out of political

trouble. But this easy way out was blocked by Mr Coyne in his final speech on July 12th. He reminded the senators that the governor of the Bank is appointed "during good behaviour," not during the government's "pleasure." They could not pass the Bill, he said, without declaring him guilty of misconduct. If they thought he was not guilty—as the majority certainly did—then they need not fear that he would cling to office. Since he had been thrust into political controversy against his will, he said, he knew the Bank must have new management. But unless they defeated the bill first, they must condemn him and leave the Bank of Canada forever open to similar assaults in the partisan interest of the government of the day.

Mr Coyne ended his thirty days' battle by walking out of the committee and leaving the senators with their consciences. At the time of writing, most of them appear to be ready to take the noble road and say *fiat justit' a ruat coelum*. But Mr Diefenbaker and his threats of an election and reform of the senate still hang as major threats over the old gentlemen who are now financially secure until death. The way they voted was a test of them, not of Mr Coyne. In the event, on Thursday morning the Senate committee voted to defeat the government bill, and added a rider that it found Mr Coyne had not been guilty of misconduct in office. Senate rejection of the bill was expected to follow.

New Horizons for Singapore

FROM A CORRESPONDENT

IN the by-election in the Anson division of Singapore this weekend the ruling People's Action party is for the first time competing with a coherent and nearly united right wing, the newly formed Singapore Alliance. Mr David Marshall and others are also running. This is the culmination of an eventful six months which, though it has not made the headlines, will occupy many pages in the Malayan history books.

Towards the end of January Malaya's prime minister, Tunku Abdul Rahman, and Singapore's prime minister, Mr Lee Kuan Yew, went on a launch trip. The ostensible object was to inspect the mangrove swamps of Jurong which, under Singapore's new five-year development plan, are to be solidified into the city's future industrial base. Since that day many signs of new thinking have reached a climax in the Tunku's speech in Singapore on May 27th; he then proposed an eventual association of Malaya, Singapore and the three territories of British Borneo. "For us in Malaya," he said to the foreign correspondents' association, "and I include Singapore in my remarks, loyalty to the Malayan ideal and way of life is fundamental." No spokesman of the Federation of Malaya has ever before "included Singapore" in his remarks in quite this way, as part of "us." Mr Lee Kuan Yew was quick to respond in his Singapore National Day speech on June 3rd, when he said: "Independence through merger is now clearly before us, and will be achieved sooner than anyone imagined two years ago."

Wider association with Borneo has its own problems and possibilities which need separate examination. But the background of political events in Singapore and the Federation is of immediate importance. In the Malayan town council elections there has been a swing away from the racialist Pan-Malayan Islamic party, even in its stronghold of Kelantan. But the ruling Alliance party has itself lost seats to the non-communal Socialist Front in many towns elsewhere. And in the parliamentary by-election at Teluk Anson (not to be confused with Singapore's Anson by-election) the former assistant minister of education, standing as an independent, won the seat from the Alliance on the issue of national education.

The Tunku is now less pressed by Malay extremism, but is being forced by election defeats to pay more attention to left-wing dissatisfactions. The result is wholly admirable: renewed emphasis on racial unity and on a Malayan outlook, and the opportunity, swiftly taken, to focus attention on bigger and less parochial ideals for the future.

In Singapore political events have been remarkable for their apparent complexity and apparent contradictions, yet in their unravelling as brilliantly obvious as Hercule Poirot. Their direction, whether by manifest destiny or by the two prime ministers, has been masterly. In April the People's Action party lost the Hong Lim by-election to that charming, ruthless and irresponsible opportunist Mr Ong Eng Guan, chiefly remembered as the first mayor of Singapore and for his breach with the government in which he was minister of national development. The government did not expect to win the election, but its defeat was overwhelming. Mr Ong, having no party to back him, won as a magnetic individual in his old constituency, where he has an enthusiastic personal following. (He has subsequently formed the United People's party from PAP dissidents.) The PAP party machine (than which none is more efficient) created Mr Ong but failed to destroy him. No one doubts that the PAP, if it were totalitarian in its wishes, had the power of liquidation. The fact that it did not use this power is clear evidence that the PAP dictionary does not define democracy in the Russian or Chinese sense. That is comforting knowledge, not least to the Federation.

But while at the end of May the Tunku, on increasingly friendly terms with Mr Lee Kuan Yew, was proposing a joint future for the Federation and Singapore, he was also forming an alliance of opposition parties in Singapore. The Singapore People's Alliance (headed by the previous chief minister, Tun Lim Yew Hock) and the Singapore branches of the three components of the Federation's Alliance government (the United Malays National Organisation, Malayan Chinese Association and Malayan Indian Congress) are uniting in a single Alliance party, based on the constitution of the Alliance party in the Federation. In sending his PAP party machine into action for the Anson by-election, Mr Lee Kuan Yew has told his men not to be so beastly to the Alliance candidate as to endanger relations with the Federation. As at Hong Lim, it is not the balance of voting that will matter. The important point is that Singapore now has a right-wing opposition closely allied with the ruling Federation party, while in the Federation the Socialist Front is beginning to form a recognisable national left-wing opposition.

TWO results, of historic significance, emerge: first, that a pan-Malayan political pattern has been created, non-communal and based on democratic left and right-wing parties in each territory; second, that it is now possible for the PAP to about-face. Lacking an effective right-wing opposition, the PAP has had nothing to fight except the dragon of its own extremists, the people Mr Lee himself has called the "lunatic left." Colonial mud has been flung at the government for pursuing realistic economic policies and some of that mud has stuck. The way is now open for the PAP to resume its role as leader of the Singapore revolution and champion of the under-privileged masses. And, if one may be so bold as to predict the completion of the pan-Malayan pattern, it is now free to reach an understanding with the Federation's Socialist Front without endangering relations with the Federation government.

It is likely that Singapore and the Federation are now set on a straight highway acceptable to almost everyone. If so, history will rate the tortuous routes and clover-leaf cross-overs of the past six months as manifestations of genius. No one yet appears to have consulted the Borneo territories, who have been the catalyst of the compound.



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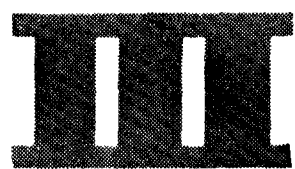
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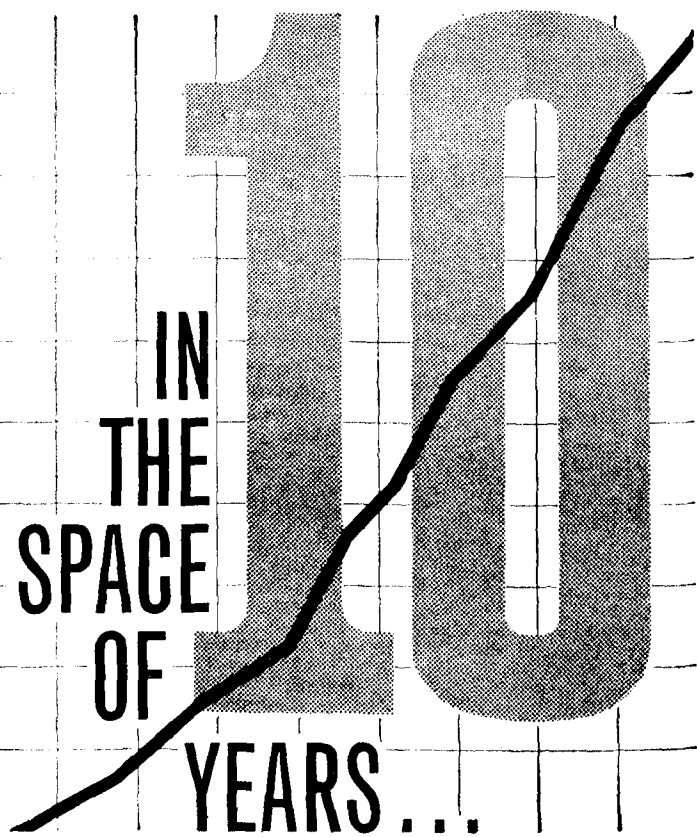
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THE BUSINESS WORLD

Cotton in Torment

The American industry would resist governmental limitation of its exports or restriction of its market.—

Robert T. Stevens, chairman of the American delegation to the international cotton textile conference, September, 1952.

COTTON textiles are now threatening principles embodied in the General Agreement on Tariffs and Trade. Gatt's purpose is to increase international trade by reducing discrimination, tariffs and other barriers. Its slogan might be: one world, one trading area. But last year this noble aim seemed to be qualified by setting up a study of "disruptive competition." This is an old form of competition, but it is now being seen in a new light by the industrialised countries of the West. The upshot is that the United States, Britain and Canada are now trying to slip into the Gatt agreement, wrapped in its own escape clause, quite contrary means of attaining its ends. Because their domestic textile industries are threatened, the three countries want a system of quotas so that international trade in textiles can be disciplined within their notions of orderly expansion.

Next Monday, delegates from nearly a score of exporting and importing countries will be bringing to the Gatt meeting at Geneva their inflated estimates of what they ought to export or their deflated ideas of what they should import. It will be a meeting of the white West, whose textile industries are in the toils, and the so-called "low-cost producers," less reverently called the "rice standard countries," who once helped to make Lancashire's fortune.

It was Lancashire's luck to be first in the field and to remain firmly on top until 1914. Cotton textile industries are the first arrivals in industrial revolution and they are being expanded throughout the developing world. So world trade in cottons is being transformed—older producers would say distorted—by the onrush of new manufacturing centres. No exporter can now expect to stay on top for long. Cotton is easy to grow in many countries, and workers as easily adapted to make textiles from it. After the war, protectionism in developing countries cut down international trade in textiles although world demand was still growing. It was an experience, as Lancashire found, of the snares in expanding export markets: after an initial spurt in demand following the first rise above a subsistence standard the market grows less rapidly. Developing countries soon learn to produce their own cheap cottons. When, later, they try to export them, they run into the same troubles that Lancashire experienced.

At the Anglo-American cotton textile conference held only thirteen years ago in 1948, Britain and the United States met as two major exporters, whose immediate concern was that

Japan's future exports to their established markets should be moderated. A tripartite agreement followed, and in 1952 the big exporters (then reckoned to number five, including west Europe as a single unit) met to discuss markets. Ignoring objections that they were carving up the market—"serving the Empire to Japan on a plate" as some said—they managed a curious compromise based on the threat of government sanctions if the projections of future exports, accepted by the meeting, were radically exceeded.

Lancashire thought that expansion in India and Japan had been moderated by its counsel. That was not true of Hongkong, whose cotton industry had gained from the diversion of textile machinery consigned to strife-torn Shanghai in 1948 and 1949 and, no doubt, from Chinese managerial talent escaping from communism. But after its contraction and the injection of government money into the re-equipment of spinning mills, the British industry was confident. American exporters also had their heyday in the postwar boom, and the pristine liberalism voiced by the British and American delegates at the conference in 1952 will certainly sound sour in the ears of Asians at next week's meeting.

By 1955, Lancashire woke up to what was happening in Hongkong, went, saw and came back pleading for protection. By then the industry was forgetting its earlier insistence that its export trade was absolutely essential to itself and to Britain; its main concern had become a last-ditch defence of its home market. In 1958, Britain became a net importer of cotton cloth—as did the United States for a period of about six months last year. About three years ago, both countries began to bargain with their chief suppliers for voluntary limitation of their exports. Hongkong's industry was persuaded to sign a restrictive pact with Lancashire in 1958, to which India and Pakistan acceded. Japan's exports to the United States and Canada were curbed in the same way. In 1959, the United States asked Hongkong for a similar undertaking. Hongkong asked too much in return and negotiations broke down. Canada also approached Hongkong last year, but the colony's attitude has been stiffening into a stubbornness which is irritating western importers. It is a measure of the turbulence in cotton textiles that Japan has complained that, through its restraint, it has lost business in America to Hongkong. Hongkong is no less concerned about the British business it has

been losing to other exporters while voluntarily clamping down on exports. A large part of the trade in cottons has become enmeshed in a web of bilateral agreements like the tangle of driving belts that clutter an old-fashioned mill. The Geneva conference will do well if it can sort out the mess.

But the deeper significance of the meeting is that the British and American governments have taken the final short step to assuming direct responsibility for their ailing cotton textile industries: the Americans in full knowledge that quotas will reduce the efficiency of every industry they affect and the British clearly aware that Lancashire may never again be prepared to face unbridled foreign competition in its home market. Three years ago Mr Macmillan professed scant knowledge of the cotton industry but a faith that its problems could be settled "in the Commonwealth way" without intervention by the government. (He nevertheless wanted an agreement to restrict duty-free imports retained in this country in that pre-election year and skilfully helped to get it.) But when the Prime Minister recently visited President Kennedy and Mr Diefenbaker, he was apparently well equipped to talk textiles and it is not certain who got in the first word.

After its long rearguard action, Lancashire is always looking for a new defence point where it can make a stand. Thinking in the industry has been veering towards seeking safety within the confines of the European common market. British manufacturers say they would be competitive in the common market, but the Six are important net exporters and countries outside are interpreting British hopes in a common market for textiles as a move to get in to shut others out. Commonwealth producers currently have the advantage of tariff preferences of 7½ per cent on cotton yarns and 17½ per cent on cloth in Britain. As India and Hongkong see it, Britain in the common market would leave them outside a 15 per cent tariff wall while the west European textile industries worked out their own salvation. Some producers in Hongkong would not be deterred by reasonable tariffs if they were unfettered by export quotas. They have already successfully tapped the German market. But when it comes to bargaining among the big countries, the colony with its 3 million population, 99 per cent Chinese and new to the Commonwealth, does not expect its interests to top the British list of priorities.

THE argument with low-cost producers is not about unbalanced trade. Hongkong, for instance, just about balances its trade with Britain and the United States. Nor does it concern dumping, export subsidies and other malpractices which are also injuring the market. It is simply that their costs of production are so low and the quality of their output so respectable, that it is doubtful whether any western textile industry could survive free competition. Fears of this kind of disaster are calling forth great bitterness. Hongkong's industrialists are depicted by one prominent British manufacturer as a bunch of greedy rascals who aim at wiping out the British industry in order to exploit their sweated labour still further. If in fact that happened, Hongkong's labour might at any rate become less sweated; last year's boom enabled the workers to force the first general rise, of 15 per cent, in wages since the postwar re-adjustment. This was one factor causing Hongkong's exports to be less competitive with those of other producers. Now work is short in Hongkong, and workers are short in Lancashire.

After more than a generation of fierce contraction, it might

be argued that Lancashire has done enough to earn a pension. The £19 million lump sum the industry will get under the scrapping and re-equipment scheme could be regarded as bare compensation for past service. Lancashire still held 35 per cent of world trade in cloth before the war, but now its share has shrunk to about 7 per cent. Lancashire's losses can be gauged by the decline in cloth production and the increase in imports, compared with the two other big importers shown in the table. Imports, which are causing such a furore in the United States, account in all for only about 5 per cent of total domestic trade in cloth. In some types of garment, however, imports are making far deeper inroads into the American market. Certainly, Lancashire could fairly argue that any sacrifices it is still required to make for the sake of bigger exports of machinery (and any political advantages) should be shared by other industrialised countries. If a favoured producer were to grow fat at the expense of Lancashire, it might in turn be gobbled up by the newer producer. The restrictionist bars are already going up in Africa, and Africa, Asia and Latin America show an undiminished desire to grow up and manufacture cottons like the rest of the world.

TRADE IN COTTON PIECE GOODS

	(mn. sq. yds.)					
	1937-8*	1956	1957	1958	1959	1960
Britain —						
Production	3,640	1,612	1,628	1,429	1,337	1,294
Imports	51	306	416	387	537	728
Exports	1,654	474	456	384	347	327
United States —						
Production	8,646	10,317	9,534	8,974	9,599	9,328
Imports	103	197	127	146	250	464
Exports	267	519	559	506	473	439
Canada —						
Production	258	306	283	268	263	263
Imports (quintals)	87	226	245	256	270	282
Asian Exporters —						
Hongkong	82	141	196	220	235	312
India (yds.)	204	747	881	622	850	723
Japan	2,625	1,262	1,468	1,245	1,263	1,425

* 1937 for production.

While the Geneva hopefuls grapple with these problems, they should take time to consider the deeper implications of what they are doing. Cotton textiles are a major test of the practicability of free trade in manufactures between the two halves of the free world. Wool and other textiles are already lined up for the same treatment. Once hope of free trade founders in cottons, many other industries in the white West will want to shelter under the same umbrella. Before Japan has been integrated into the western trading area, a host of equally intractable problems are arising. Any agreement arrived at as a consequence of the next week's meeting at Geneva must recognise the dangers of dividing the free world's trade into white and non-white camps through a rapid dismemberment of Commonwealth trade or a hasty construction of trade blocks. The prospect of a liberal outcome at Geneva does not look good.

Lancashire conceded more to Commonwealth producers than it considered reasonable three years ago. The British Government's proposal for an increase in Hongkong's quota on renewal of the pact in January has already been rejected by the island's manufacturers. Canada and Australia wish to limit imports which their industrialists consider too high. Members of the common market might regard the request for bigger markets as just another irritating call on their generosity. American manufacturers will press for higher protective tariffs unless quotas impose a significant curb on imports. In effect the developing countries are asking for trade, not aid. Unfortunately, some industries in the West want things exactly the other way round.

Trustees on Their Mark

ANY stick is good enough to beat the gilt-edged market with nowadays. On Monday it was a belated amendment to the Trustee Investments Bill that was held responsible for its poor state. This will empower the Treasury to vary the permissive division of trust funds from 50:50 up to 25:75—the former figure in the two ratios being, in rough terms, the gilt-edged and debenture portion and the latter the maximum for equities and preference shares. It seems a little odd to have brought in such a radical shift in the bill at so late a stage, but it is not likely that the Treasury will be quick to use its new discretionary power, though it may be useful to have in reserve in future years. The critics who have been demanding greater flexibility in the bill have scored a distinct hit. Now the bill is through its final stages in the House of Commons and its enactment is to be expected in the next two or three weeks.

It is not an easy bill to analyse, and it may not be an easy Act for many trustees to operate. Most modern trust instruments give trustees wide investment powers. The bill is not intended for them, but rather for old trusts with restricted powers, for intestacies, and for future cases where no specific provisions about investments are laid down. Trustees operating under any instrument made before the Royal Assent will be able to use the powers under the Act, if they wish—the decision is entirely theirs. The same is true of, say, a local authority operating a superannuation fund with powers of equity investment under a private act. It can stay with its own act if it wishes—as it is likely to do until its equity holdings are worth half of the whole portfolio. But it will be free at any future time to adopt the new powers. Those authorities that have no private act will be able to use the new arrangements if they wish to bring ordinary shares into their superannuation funds. Trustees for private funds can free themselves of any restrictive or exclusive clauses in their trust instruments—again, if they wish. Any exclusive powers that are written into instruments drawn up after the bill is enacted will not be escapable in this way.

A number of cases can be distinguished, among the infinite variety that present themselves, as examples of what trustees may be able to do under the bill—subject to the obvious points that it is not yet law and that lawyers themselves find it

awkward to interpret. In due course it is likely to produce a crop of case law.

1. A trust where investment powers were confined to the original trustee list.

At a moment of his own choosing, and with no other formality, the trustee values his fund (the bill does not define the prices to be used) and divides it equally between "narrower range" and "wider range" parts (hereinafter "NR" and "WR"). The WR part at this stage can be in only NR securities; thereafter they can be retained or, as is to be presumed, switched into WR securities. The trustee cannot transfer cash or investments from the NR fund to the WR fund unless he makes a compensating transfer of NR securities from the WR part—which for practical purposes means gilt-edged.

When property accrues to the trust from the investments it holds (for example, from realised profits) it belongs to the appropriate portion, NR or WR. But a late amendment now requires that all interest and dividends accumulated in the trust fund must be split 50:50 between NR and WR, no matter from which part they arise. A scrip issue in respect of an existing holding of ordinary shares would belong to the WR portion. The same must be true of a rights issue, for which the subscription price must be found from existing WR funds or from new funds accruing for WR investments. If an NR security yields a rights issue in the form of a WR security, the WR fund must find the money. The result could be, over time, that the WR part comes to represent more than half of the fund, taken at current values, and perhaps a lot more.

When property accrues to the trust from new funds it must be divided equally between the two parts. But when capital is released from the trust, it appears from section 2 (4) that the trustee has absolute discretion about what securities to release. If, however, he were tempted, say, to eliminate the NR investments and retain all the WR investments, he might offend against the "prudent man" rules long established in case law.

Splitting of trusts may involve complications under the bill. Assume that a trust originally equally divided between NR and WR investments is valued at the time of the split £600 in gilt-edged (NR) and £1,400 in ordinary shares (WR) and that two equal continuing trusts are to be created. Then the trustee must create two equal funds, each consisting of £700 in equities and £300 in gilt-edged. Where he has to distribute one portion and to maintain the other in trust, he has a wider range of choice. He can appropriate £700 in equities and £300 in gilt-edged to the continuing trust, or £500 in each, or some proportions

NARROWER RANGE INVESTMENTS

- * Defence Bonds and National Savings Certificates (including Ulster).
- * Deposits in Post Office Savings Bank, Trustee Savings Banks and clearing banks.
- British Government stocks, Government guaranteed stocks, Treasury bills and tax reserve certificates.
- Fixed interest securities of British public authorities and nationalised industries (including Agricultural Mortgage Corporation and Scottish Agricultural Mortgage Corporation).
- Fixed interest securities issued in Britain and repayable in sterling by Commonwealth governments, local and public authorities and the stock of the Bank of Ireland.

* These two categories do not require advice.

- Fixed interest securities and mortgage loans of British local authorities.
- Fixed interest securities issued in Britain by the International Bank.
- Debenture and loan stocks issued in Britain by a British company that has a share capital of not less than £1 million and has paid dividends on all its share capital in the five preceding years.
- Debenture, guaranteed and preference stocks of British water companies.
- Deposits in special investment departments of the Trustee Savings Banks.
- Deposits in a building society designated under the House Purchase and Housing Act, 1959.
- Freehold mortgages and leasehold mortgages with not less than 60 years to run.
- Perpetual rent charges on land.

WIDER RANGE INVESTMENTS†

- Any quoted securities issued in Britain by a British company which has a share capital of not less than £1 million and has paid dividends on all its share capital in the five preceding years.
- Shares in a building society designated under the House Purchase and Housing Act, 1959.
- Units in a unit trust authorised by the Board of Trade.

† Having split the trust fund 50:50 between the "narrower" and "wider" ranges, the trustee need not, unless he so wishes, confine 50 per cent of the investments simply to those listed in the "wider" range but can include in that part securities and properties listed in the "narrower" range.

between the two limits. If the continuing trust is set up with £500 in equities and £500 in gilt-edged, the distributable share would consist of £900 in equities and £100 in gilt-edged.

2. A trust confined to trustee investments plus positive power to invest in specified securities.

Section 3 enables the trustee to set aside the specified securities in a "special range" fund, and to split the remainder 50:50. When "special range" property is sold it must be reinvested in "special range" holdings or split equally between the NR and WR parts. Money to be subscribed for rights arising on "special range" property, or indeed for any investment in "special range" property, may be found from any part of the fund.

3. A trust composed of trustee securities plus the power to retain other securities from the original estate.

This is likely to be a common case, and a tricky one, since it involves an attempt to combine the powers under the trust instrument with the powers under the bill. Where the retained securities include any now detailed in the NR list, these must be taken into the NR or WR parts. All others, whether WR investments or otherwise, can be put into a "special range" fund which, as under example 2, is left entirely separate, leaving the rest of the fund to be split 50:50. Since the trustee has the right only to retain these securities, with no power of reinvestment, he must divide the proceeds of sale of any "special range" securities equally between NR and WR parts. Rights on "special range" securities can be financed from any part of the fund.

4. Local authority superannuation funds.

Resort to "special range" machinery is not open to trusts that have secured a variation in their instruments by court order in the ten years before the bill is enacted; they will have to fall in with the bill or go to the court for a new variation. Nor is it open to local authorities that have private acts governing the investment of their superannuation funds—there are 19 of these. In general, their maximum power of investment in non-trustee investments is 50 per cent, which includes debentures, preference shares and ordinary shares. There may be a few that started early and pursued an aggressive equity policy, who now find themselves with 50 per cent or more of their portfolio, at current values, in ordinary shares, preference shares, and debenture stocks. These are likely to consider seriously the division of their funds under the bill. The following *pro forma* example illustrates the point:

	Cost £	Current values £
Gilt-edged.....	1,000,000	800,000
Debentures.....	150,000	100,000
Preference shares.....	150,000	100,000
Ordinary shares.....	700,000	1,000,000

Under the private powers, the funds have been invested 50:50 as between gilt-edged and industrial securities. If the authority uses the new powers, its holdings will have to be divided:

NR	WR
Gilt-edged, £800,000	Equities, £1,000,000
Debentures, £100,000	
Other NR from WR realisations £100,000	

The table assumes, as would be likely, that the preference shares would be reinvested in debentures or gilt-edged in the NR. Accumulating interest and dividends must be equally divided between NR and WR. For the time being, a 6 per cent plus return on the NR part would help a WR part invested largely

in growth equities at 3 per cent or less. But when these latter come to yield, say, 10 per cent on the values at which they were taken into the WR part, the accumulation of the equity fund will be correspondingly prejudiced.

These examples may be of some partial enlightenment to those responsible for administering trust funds. Plenty of uncertainties remain. One relates to the need for "proper advice," in writing, about buying or retaining any security from "a person who is reasonably believed by the trustee to be qualified by his ability in and practical experience of financial matters." Some lawyers regard this clause as a speculative attempt to codify the case law of several hundred years and do not feel too confident about it. But it seems capable of working satisfactorily and certainly less restrictively than the narrow original qualifications laid down for advisers would have done. For some trustees a lot of preparation will be necessary before they are able to take advantage of the bill. The professional trustees, on the other hand, have already gone some considerable way in preparation—selling gilt-edged and holding temporary short-term investments (with a minimal sacrifice of income, under present market conditions). To measure the gilt-edged holdings of trust accounts is a chancy exercise, and to guess what proportion of these will be switched into wider range securities even chancier. Undoubtedly, there is a considerable volume of mobilised trust money awaiting the enacting of the bill for immediate investment in equities. The recent setback in the equity market has put this section on a more attractive yield basis for trustees and the latter, if they are well organised, will in some cases have already taken firm decisions to switch a given proportion of their funds into equities as soon as this is lawful, without much or perhaps any regard to prevailing prices.

This is the basis of the argument that the Royal Assent will be the signal for a buying boom across the whole equity market. It may be so. Yet the timing may also coincide with the Chancellor's package of remedial measures for the economy which could have the opposite effect. In the longer run, after the first excitement (if there is any) is over, the consequences will become increasingly clear—more and more equities destined for the deep-freeze of long-term investment. *The Economist*, which in its modest way was urging the need for reforming the Trustee Act a generation ago, rejoices that here, at any rate, is one cause that has not been lost.

INVESTMENT SERVICES ON LATER PAGES

PROFITS ANALYSIS

Profits for the quarter ended June 30th are discussed on page 276
A full analysis of the figures is given on pages 296 and 297

COMPANY AFFAIRS

Comments on pages 291, 292 and 293 on:
Butlin's Thomson Newspapers London County Freehold
Pontin's British Drug Houses Express Dairy
Warner's Holiday John Thompson George Cohen
Camps Consett Iron Ruston and Hornsby

LONDON AND NEW YORK

Stocks, prices, yields and security indices on pages 294 and 295

LONDON STOCK EXCHANGE

The week's movements reported on page 293

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 298

BUSINESS NOTES

STERLING

Touching Wood and Going Short

TO nobody's surprise, sterling has continued weak in the foreign exchange market, and the volume of selling has increased. No one expects any change until the Chancellor at last tells the world what he proposes to do; and his measures will need to be convincing, on the key point of improving Britain's competitiveness, if they are to do their job in the exchange market. By postponing action for so long, leaving the financial markets thinking about nothing else, the Chancellor has stiffened the test that he has to pass.

The Bank of England has had to give substantial official support this week, even though it has let the spot rate on the dollar fall below \$2.78½. Discounts on forward sterling continue high—though at the equivalent of 4½ per cent per annum on the dollar and 6 per cent on the Swiss franc and the mark they are still sensibly less than the discounts in the 1957 crisis. The market detects no evidence now of official support in the forward market. But the outflow of funds from London is probably heavier than at any time since the movement began last March. There is no reason to believe a report in the *Sunday Telegraph* that the Continental central banks stopped giving support to sterling in June and that the gold loss of £47 million was a true indication of that month's withdrawals of private funds. After the annual meeting of the Bank for International Settlements in the middle of June it was made clear that "effective co-operation" was continuing—

though it was also clear that the bankers were thinking about how they could consolidate the credits. The obvious way is through the International Monetary Fund.

Britain has been inhibited from making such a drawing hitherto by its reluctance to draw US dollars. But it now seems clear that a drawing cannot wait until the proposals for increasing the Fund's resources of Continental currencies by borrowing have gone through. A drawing might therefore be announced at the time of the Chancellor's measures—with the size of the credit possibly dependent on the content of the measures. The international creditors, reasonably, may soon be getting tougher about the kind of prospectus on which they are prepared to provide more money.

IN THE MARKETS

Around and Around

THE London stock markets, too, are biting their nails and wearing out their nerves while they wait for the great economic statement. While investors and dealers try to guess what the Chancellor's measures might be, and whether the markets have over-discounted them, the volume of business has contracted. Equity prices, having rallied slightly, fell again in mid-week—on Thursday the *Financial Times* index lost 5.3 points to 308.60. Gilt-edged appear to have reached some sort of resistance point. With yields on irredeemables up to 6½ per cent the market has this week seen some switching out of dated stocks—an unfamiliar movement. But it is impossible to be optimistic about gilt-edged while sterling is in jeopardy. This is the major influence; the minor one is the trustee legislation. Thus the line up for coming months could be said to be:

Chancellor's Measures v. Sterling and Trustee Act.

All will depend on the strength of the home team.

In the most general terms, one may risk some hypothetical guesses about market responses to whatever the measures turn out to be. If the measures are generally judged to be inadequate for sterling the worst impact would presumably be on gilt-edged. Any indication that the government might let the exchange rate fall could be seen as an alleviating influence for equities; but if

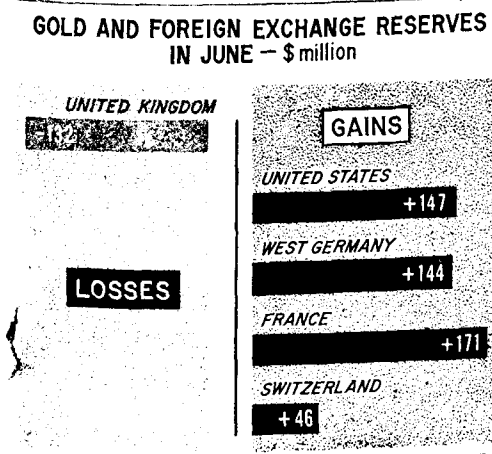
the prospect was rather for further restriction, equities could be hit equally hard. A series of measures consisting of piecemeal cuts and new imposts could affect some shares quite sharply—thus a 10 per cent surcharge on purchase tax could cause a bad knock in the car market, especially if it coincides with stiffer hire purchase. Cuts in public investment could obviously hit particular supplying firms. But a rise in Bank rate would not necessarily be bad for banks. A package that was restrictionist but of uncertain efficacy for sterling could easily depress both gilt-edged and equities together.

Really tough measures directed to reducing costs—that is, acting on wages and tariffs—ought to be a tonic for gilt-edged, even if Bank rate is raised at the same time. With the prospect of lower profit margins and strikes, such measures would bring no immediate joy to dividend prospects—but they would strengthen industry's long-term prospects. Initially, however, gilt-edged could rise and equities fall. In that case, as the market is now asking itself, would a trustee with newly gained freedom be more impressed by the rise in equity yields than he is put off by the demonstration that equities can fall in value too? So the argument goes around and around, while the prudent hedge their bets and lend to corporations at 6 per cent plus.

Berlin over Wall Street

A correspondent cables:

AT 690 the Dow Jones industrial average is now midway between the peak of 710 touched in the middle of May and the 670 level to which it fell in the subsequent reaction. While a good many dealers are confident that equity prices have begun their usual summer rise there is still enough uncertainty and nervousness among investors to prompt the questions whether the rally is really yet under way and, if it is, how far it can be expected to go. There is no doubt that business is recovering but the improvement in corporate earnings is not yet marked and a rash of price cuts in chemicals, plastics, paper and appliances may hold profits down despite the rise in sales. Moreover, though Wall Street is accustomed to international crises there is plenty of worry about Berlin; while some military issues, notably aircraft shares, have attracted renewed support investors do not appear to be eager to make new commitments in any great volume. In contrast to past war scares, which usually sparked off almost indiscriminate buying on the grounds that inflation was sure to result, the



Accumulations of sterling by Continental central banks have reduced losses of reserves shown by the United Kingdom; but they are included in the reserve gains shown by the creditors.

Berlin crisis is being treated more soberly—and more fearfully.

It may be significant that electronics, Wall Street's favourite growth stocks in the 1950s which were pushed up to new peaks by every earlier war scare, are now in a bear market. Competitive prices and the slowdown in defence contracts have not merely checked the growth of the industry but have led to losses for some of the prominent companies. This shake-out in electronics stocks has long been predicted but it has come at a time when the economy is recovering and when defence spending seems to be heading to new peaks. It has therefore come as a shock to Wall Street and it is responsible for a good deal of the caution now evident among speculators. The managers of those institutional funds that still have plenty of money to invest are now complaining that it is harder than ever to make a judicious choice, for the market has already discounted a vigorous recovery and the issues that can be thought to be undervalued are few and far between. Dealers do not expect any serious decline but they are not bidding prices up as they did earlier this year. Thus if the summer rally has started, it is at a walk rather than a canter.

NEW ISSUES

Hiccups in the City?

As always happens when stock markets are uncertain, the number and weight of recent new issues has been named as one of the contributing causes of the weak-

ness. Certainly, the stock market is finding it difficult to digest all the issues and looks, indeed, as if it may soon be suffering from indigestion. This is most evident in fixed interest securities, with the 6 per cent New Zealand loan standing at 2 discount, the British Insulated and Rolls-Royce debentures at 1½ discount and the steel prior charges (on which the final call has still to be made) below their issue prices. To be certain of success a first class industrial debenture issue has now to offer about 6½ per cent, as the announcement this week by Scottish and Newcastle Breweries shows: its offer is £4½ million of a 6½ per cent debenture 1978-83 at 94½. But although dealings in the new shares arising from the Distillers rights issue began at a small premium, the equity market is hardly less comfortable. Rights issues press heavily upon it and the Colvilles shares, for example, have fallen to the issue price of 57s. 6d. so that the rights are worth nothing. The chance of success for the smaller issues is therefore open to doubt and several companies, indeed, have announced this week that they would be postponing their appeals. The bigger issues, moreover, are absorbing institutional money that otherwise would have been used to buy existing stocks and it must be wondered whether the life offices, after taking up their rights, will be willing to add much more to their equity holdings this year.

In these circumstances, the directors of City Centre Properties were faced with a difficult problem in deciding upon the right method to raise permanent capital to sustain their property development programme. Clearly, they did not want to limit the com-

pany's freedom to charge its properties or to borrow money; nor did they want to pay a high rate of fixed interest while the property developments were maturing; nor, equally, did they want to dilute the equity before the investments began to yield dividends. Not surprisingly, they have decided upon the issue of a convertible loan. This hybrid is not, as the institutions have made clear in the past, suitable for an industrial company; but it admirably suits the needs of a property company and the institutions which help to finance its developments. By offering attractive conversion rights, CCP is getting the money cheaply, issuing at par £18,939,830 of the convertible loan at 5 per cent until the conversion options expire in December, 1964, and at 6½ per cent thereafter. The loan is finally redeemable in 1970. Effectively, ordinary shareholders in CCP who subscribe by right to this loan can convert each £1 of loan stock into one ordinary share at a price equivalent to 60s. in 1962, 62s. in 1963 and 64s. in 1964. The present price of the CCP shares is 56s. 3d. and before the options finally expire the directors expect to pay a dividend of not less than 40 per cent (against the current 25½ per cent). Mr Cotton and Mr Clore and certain institutional shareholders have agreed to take up the rights on £9,669,690 of the stock (that is about 51 per cent) and in doing so they will receive a commission of 1½ per cent from CCP. This is the same as the commission paid to the sub-underwriters of the rest of the issue. The advantages of being a shareholder and a sub-underwriter at the same time were underlined when dealings began in the new loan stock at 6d. premium.

BANK SHARES

Prospects and the Chancellor

ALL the big banks have now declared their interim dividends. The announcements offered the market no surprises. The interims were all either as forecast or were raised to exactly half the 1960 total payment.

The first half of 1961 has been profitable for the banks; their dividend caution was evidently based on the uncertain outlook. What happens to bank profits in coming months depends largely on the Chancellor's new measures. An increase in Bank rate would raise the banks' earnings on advances; and average advances outstanding are almost certain to remain higher. On the other hand, use of the new tax regulators would, by increasing government revenue and in all likelihood producing an overall Exchequer surplus, tend to squeeze floating debt and bank liquidity still further. In any case, the banks face a continuing rise in staff costs: Barclays this week conceded a cut in its standard working week from 42 to 40 hours, which in practice will mean more overtime pay.

In these circumstances, and in the stock market's mood of general uncertainty, last week's announcement by Barclays of a rights issue surprised both the market and the other banks. The Midland, admittedly, announced a new issue in April, to raise £24 million. But at this time the Midland's capital funds were only 2.6 per cent of its deposits compared with an average of around 4.1 per cent for the other banks. As the table shows it is now Barclays that is in lowest place, being the only bank with a ratio below 4 per cent. If the Barclays issue were to bring the ratio to the average of the other banks, it would be in the region of £13 million.

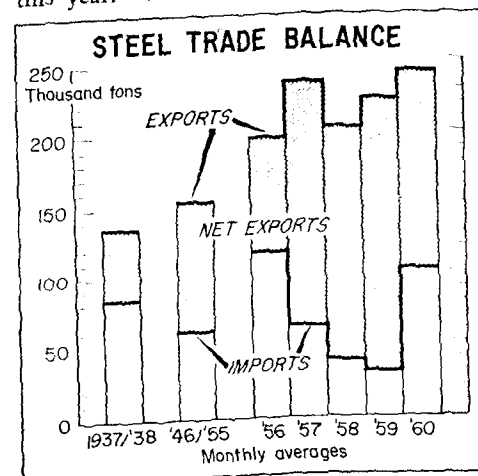
A bank is much less dependent than an industrial company on its capital funds, since expansion depends basically on the liquid assets the Government makes available rather than on new money raised on the market. But there is a general principle that capital funds should cover at least the fixed assets. Barclays published fixed assets at June 30th were in the books at £50 million; its capital funds were £64

million. The margin is small, especially as there are certain other long-term commitments that might also be considered fixed assets. Nowadays the banks recognise that some of their advances are in fact more in the nature of fixed investments than self-liquidating loans; and while the book valuation of premises is ludicrously low, this does not strictly affect the argument about matching fixed assets with fixed capital. The other banks, except Lloyds, have their published fixed assets covered almost twice over by capital funds.

STEEL

Direct Exports Improve

IN May Britain exported a greater tonnage of steel products than in any other month since the war except October, 1959, when there was an American steel strike. And as imports of steel have gone on declining, net exports of steel have risen strongly this year. The chart shows the medium-



term record: in the first five months of 1961 net exports amounted to 224,000 tons against 181,000 tons in January-May, 1960. Exports of plates and heavy sections are now running at about 800,000 tons a year: those of sheet, cut back when home demand is clamant and running free when the manufacture of motors and consumer durables slackens off, have recently risen to about half a million tons a year, against the total of 528,000 tons in 1957 during an earlier motor recession; and there has been some

revival of the traditional export trade in rails (to India, following a release of interim credits from this country).

Competition in the world steel market, the Iron and Steel Board commented this month, has been strong and growing. Yet not all the world's major producing industries switch as readily to the export market when home demand softens as Britain (steel output in the first half of 1961 was 1½ per cent below that of the same months of 1960): in particular, the United States has never made the massive drive for overseas sales, at prices that could be low when it is running far below capacity, that would often have seemed possible for it. Some students explain this on the grounds that American steelmakers are unwilling to do anything that might undermine home prices which offer comfortable margins even at very low operating rates. But of late, inside the United States considerable erosion of those firm home prices has developed, with certain major companies withdrawing price lists and making deals customer by customer. Modifications of some American steelmakers' attitudes towards export prices could follow.

RUSSIAN AVIATION

On All Fronts

WHEN that mature young Soviet technologist, Major Gagarin, told his London audience that space flight was merely a matter of training and "a little knowledge" he was displaying a good many of the psychological features considered essential for an astronaut. Space is no place for the introvert, the worrier, the dreamer or the fool. It demands all the characteristics that Major Gagarin has shown during his London visit, a cheerful, uncomplicated temperament not easily ruffled and possibly not easily hurried either; physical stamina rather than strength, quick intelligence and an assured acceptance of responsibility. The Russians have been anxious to show their hero to a wider audience; they had accepted an invitation for him to visit the Paris air show early in June only to have it withdrawn by the French with an unaccustomed lack of finesse when it was discovered that his visit would clash with that of President Kennedy. They had also prepared with great care the début of their new military aircraft at the Moscow air display, held two days before Major Gagarin's arrival in this country.

The two events provided a unique opportunity to underline Russia's technical progress in aviation by demonstrating that the great effort that has gone into the development of the biggest and most powerful rockets in the world has also been matched by equal advances in manned aircraft. The Moscow show demonstrated that Russia today is probably the nearest thing on earth to an aircraft manufacturers' dreamland, covering every conceivable line

Crisis Measures of the Past

Measures:	1949	1951-52	1955-56	1956 (Suez)	1957	1960-61
	(Summer and autumn)	(Nov., '51; Mar., '52)	(Feb., July, Oct. '55; Feb., '56)	(Dec.)	(Sept.)	(Jan., April, June 1960; Mar.-April, '61)
Exchange and trade	Sterling devalued from \$4.03 to \$2.80. Import quotas cut.	Import quotas cut.	Official support for transferable sterling ("market convertibility").	Credits from IMF, on understanding that import controls to be avoided.	Restrictions on sterling credits to non-residents.	(1961) Support for sterling from Continental central banks under "Bastle" arrangements.
Fiscal	Cuts in government expenditure (notably next year's investment programmes).	Food subsidies cut, to finance income tax reliefs.	Income tax cut in April budget; purchase tax and profits tax raised in autumn budget. Tougher borrowing for local authorities.	Surcharge of 1s. a gallon on petrol.	Public investment to be frozen at previous year's level.	In mid-1960, public investment programme for 1961-62 scheduled to be kept to level of 1960-61. (1961) Smallest budgeted overall deficit since Cripps: powers for two new regulators.
Monetary	Capital Issues Committee told to disallow scrip ("bonus") issues. Banks requested to curtail advances.	Bank rate reactivated and raised from 2-2½ per cent, then 4 per cent.	Bank rate 3-3½-5½ per cent. HP restrictions reimposed, and then stiffened twice.	Bank rate 5-7 per cent.	CIC asked to tighten scrutiny and banks told to curtail advances.	(1960) Bank rate 4-5-6-5½-5 per cent. Special deposits called. HP restrictions reimposed—later eased. Gloom in gilt-edged lifts yields above 6½ per cent.

The patient underwent a major surgical operation twelve years ago but has contracted the same disease at regular intervals ever since. The doctors, although swayed periodically by changes in fashion, have shown much the same consistency in their remedies.

BANK DIVIDENDS AND CAPITAL

	DIVIDENDS†						CAPITAL Ratio of capital funds to deposits (per cent)			SHARE PRICES‡			
	1959		1960		1961	End- 1958	End- 1960	June 30, 1961	Jan. 18, 1961	May 17, 1961	July 13, 1961	Current yield (per cent)	
	Int.	Fin.	Int.	Fin.	Int.								
Barclays.....	5*	5	6	7	6½	3.1	3.7	3.6	65/9	93/3	77/3	3.4	
Lloyds.....	4½	5½	5	5½	5	3.6	4.4	5.0	58/4	77/-	60/6	3.6	
Midland.....	7½	9½	8½	10½	9½	2.1	2.6	4.0	69/3	103/2	75/6	4.0	
National Provincial	8½*	6½	6½	6½	7	2.8	4.1	4.4	74/-	97/-	77/9	3.6	
Westminster.....	5	5½	5½	7½	6½	3.2	4.0	4.2	62/9	95/6	75/-	3.6	
District.....	8½*	7	7	9	8	3.2	4.2	4.2	74/3	98/3	84/9	3.8	
Martins.....	8*	8	7	8	7	3.3	4.6	4.5	18/7½	25/6	21/4½	3.5	

† Dividends adjusted for scrip issues.

‡ Prices adjusted for scrip issues.

* On capital before rights issue.
† Dividends adjusted for scrip issues.
‡ Prices adjusted for scrip issues.

of development down to a Soviet version of that white elephant, the Rotodyne. Russia today is in the same state as Britain was in the pre-Sandys era and as the United States was before the cut-back in military programmes. Whether such great variety of aircraft is necessary, from a military point of view, is a question strictly for the birds.

Although nearly all the military aircraft on show have been identified by Western observers before, this was the first time the new types had appeared at a public display; during the past three of four years remarkably few military aircraft have been seen at Soviet air shows. During that period these new types, mainly 1,500 mile-an-hour fighters and bombers able to fly at twice the speed of sound, some with inter-continental range, were presumably still under development and the Soviet public had to make do with civil aircraft which, Western designers may be glad to note, seem to run into as many delays and teething troubles as new airliners in the West. The appearance of the new military machines will cause a flurry in the United States, not because they represent an advance on anything that the United States can build but because they represent just those types of which production has been cut back or cancelled in favour of missiles. If Mr Khrushchev wished to strain the western economies by intensifying the arms race he could not have thought of a better way to do it.

HIRE PURCHASE

Stiffer Terms and Higher Charges?

WHILE a stiffening of hire purchase terms is not expected to be enforced by the Chancellor in his forthcoming measures, it now seems likely to be voluntarily effected by the finance houses themselves. A statement last weekend by the Finance Houses Association, representing the larger companies in the business, drew attention to the "appreciable increase" in interest rates in recent weeks and to the "continuation of the trend for normal operating expenses to rise." The finance companies are therefore considering two steps: a rise in the minimum deposit to 25 per cent on new cars (compared with the statutory 20 per cent) and to 33½ per cent on used cars (compared with the present FHA minimum of 25 per cent); and an increase in service charges, which at present rise upwards from 7½ per cent a year on the initial amount for new cars, and may soon rise nearer the FHA maximum range of 9 per cent for new cars to 12 per cent for cars over three years old. The finance companies are also thinking about making an assault on dealers' commissions, at least to stop these rising as they automatically

BUSINESS NOTES

would in line with increased service charges.

The Finance Houses Association has not yet taken a firm decision, and in any case whatever it decides is not likely to be followed by all outside houses and by dealers financing their own business. But in the past few months, chastened by their earlier over-trading, hire purchase men have begun to see the virtues of self-imposed restraints, and have been much less ready to go ahead for more business on any terms. There is good logic, on the principles of sound hire purchase finance, for a rise in minimum deposits to ensure that the hirer has a sufficient stake in the vehicle he is using.

But an all round increase in service charges is a different matter. Admittedly, the finance houses have had to raise the interest allowances on large deposits placed with them by companies and institutions to counter the withdrawal of foreign funds. This has also greatly increased competition for money in the local authority mortgage market, which now offers 6½ per cent for seven-day loans. But interest rates on bank overdrafts—at least at the time of writing—have not risen, and are below their level in the second half of 1960. As everybody knows, the main recent worry in hire purchase has been not the cost of borrowing money but getting hirers to repay. Apart from the 1960 crop of defaults, the finance houses feel that their costs of collection may be rising generally. Wage earners, with fluctuating weekly incomes, often find it more difficult than salary earners to meet relatively high instalments regularly. But the many people who meet their instalments meticulously will have a legitimate complaint if their own charges, which are already high, are raised in order to provide a sufficient cushion for the defaulters and the poor risks. The proper course for the finance houses is surely to introduce some kind of differential in their charges, whether by rebates for regular payment or by preferential rates on new transactions. If they do not, they will deserve to lose their best customers.

TRADE UNION INVESTMENT

Owners Now

THE setting up of the Trades Union Unit Trust is the realisation of an idea first put forward by Mr Desmond Hirshfield over eighteen months ago. His firm acts as auditors to the National Union of Railwaymen and he was the author of a scheme to establish a new unit trust fund, designed primarily to facilitate the investment of trade union funds in equities. The new trust will be managed by M. Samuel, the merchant bankers, who will also act as investment advisers to a board which includes representatives from the City and Westminster.

In the past, trade union funds have been

THE ECONOMIST JULY 15, 1961

invested almost entirely in gilt-edged, corporation and Commonwealth loans and other fixed income stocks. The market value of most of these funds has declined steadily. The managers claim that the new trust will provide an alternative means for trade union investment, the portfolio of the trust being chosen to meet the specific needs of the unions for income (of which some escapes tax). About three quarters of the portfolio, it is thought, will be in equities and the remainder in fixed interest stocks. When the units, initially, of £1,000 each, are offered later this month there should be a good response, for more than a dozen unions have either indicated their intention to invest in the trust or are showing a close interest in the scheme—though, presumably for political reasons, some have shown no liking for it.

Unions will be able to purchase units with newly accruing funds or to receive them in exchange for some of their existing investments (provided that these are considered suitable by the managers for inclusion in the trust's portfolio). To keep costs low, units will be available only on one day a month and the charges will be below those of other unit trusts—a ¼ per cent initial sales charge, ¼ per cent per annum on the value of the fund up to £2 million, ½ per cent on any excess up to a further £2 million and ¾ per cent on anything above £4 million.

Mr Hirshfield is also trying to interest the trade unions in the merits of property investments for a part of their superannuation, pension and provident funds. He is proposing to set up a panel of property experts, including valuers and surveyors, to advise unions interested in acquiring first class property investments where the emphasis is on income rather than development.

OIL

Not the Right Time?

NO invitation to Baghdad has yet been received by the reshuffled team of negotiators from the Iraq Petroleum Company and its shareholder companies that has been preparing to recommence talks with General Qasim since contacts were re-established some weeks ago: and it may well be that in the immediate state of Anglo-Iraqi relations, neither side is anxious to restart the negotiations that were suspended in April. Since the original message seeking to re-open contact were despatched by Lord Monckton of IPC and the HoA Maurice Bridgeman of BP, letters have been sent from the Western end accepting the Iraqi demands on "dead rents," discussing other points such as relinquishment and the disposal of natural gas from oil wells in Iraq, and expressing general optimism in principle that a mutually satisfactory result to the negotiations could be reached. These letters had appeared before the Iraqi claim

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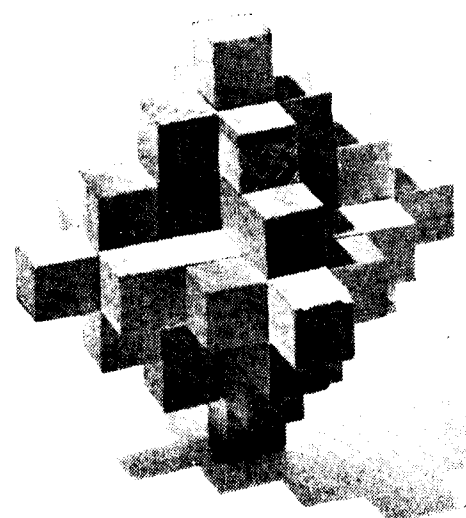
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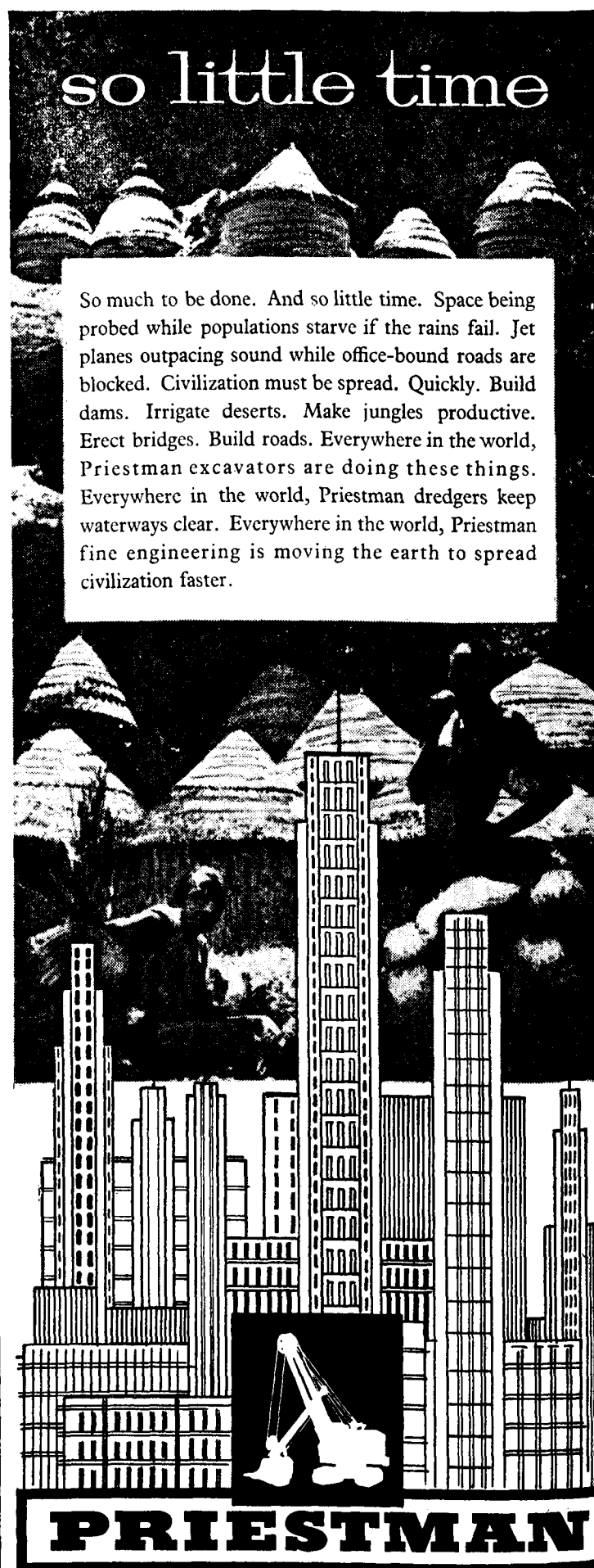
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to Kuwait was put forward to have evoked some tempered satisfaction in Baghdad: making some changes from the original negotiating team, IPC and its shareholders had made ready to resume the discussions that originally began, with representatives of this government of Iraq, more than two years ago.

Le quatorze juillet is Iraq's national day of independence as well as France's; and for some weeks past there have been ominous conjectures about what General Qasim might or might not do to IPC or some part of it on that day. There have been hints of nationalisation, though not of exactly what or how much might be nationalised. Since negotiations ended in April, the Iraq government has after all exercised a ban, and nominally a military one, on exploration in IPC concession areas not already in production, and some further gesture in these non-producing areas might be displayed to the Baghdad mob without absolutely jeopardising the country's precious current income from IPC's actual operations. Smarting under his rebuff before Kuwait, it might be that the General would like some alternative triumph to show the noble sons of the people: guesses among oilmen in Britain and the United States varied a good deal, but some of the best-informed held that he would not seek it via any extreme measure towards IPC. The Iraqis chose to heighten uneasiness last week with reports of an approach to the Italian state concern ENI for technicians to run IPC facilities. These reports were true, though they were denied in Baghdad as soon as it became clear that the Italian Foreign Ministry had instructed Signor Mattei that any such "alternative to the major oil companies" would be at variance with Italy's foreign policy and obligations to its allies.

TIN

In America's Court

THE International Tin Council now has no tin to sell and no export quotas in force. Effectively, it has been out of business for the past three weeks, but it has nevertheless been exceedingly busy. The second international tin agreement came formally into being on July 1st when the required number of producers and consumers of tin ratified or gave notice of their intention to ratify it. Contributions to the buffer stock were accepted in cash: producers will therefore pay £14.6 million into the buffer pool, equivalent to 20,000 tons of tin at the current "floor" price under the agreement, and will comfortably meet that from the liquidation of the old buffer stock's assets with profits from the previous five years' dealings.

Because the council tried to control tin prices and failed, it has understandably, if a little unfairly, attracted blame for the current shortage of tin. Speculation last week as the price of tin bobbed back and

forth revolved round what immediate action the council might take to try to redeem its lost reputation. The obvious courses of action were three: to raise the floor price now to encourage greater production at the earliest possible moment; to begin to allocate supplies, a thorny path that it is unnecessary to follow at the present time; or to ask the United States for help. The council decided to invoke America's help and appears to be allowing the United States six weeks in which to reply.

The council informed the American Administration of its wish to hold talks about possible disposals from the United States stockpile and fixed August 22nd as the date of its next meeting. Until it is known whether and under what circumstances short of war tin will be forthcoming from the American stockpile, the council and the market can make little of the estimates of consumption and supply with which they are now juggling. The same difficulty applies to giving producers incentives to mine more tin.

After what appears to have been a definitely two-side discussion—consumers and producers have equal voting rights within the agreement—the question of fixing new price ranges was left over until next month. Producers have agreed to examine their costs of production and presumably to present estimates for perusal at the next meeting. At the moment, there seems no case for precipitate action before some of the uncertainties are cleared up. Consumers have increased their stocks and are not particularly anxious to buy, and some speculators are willing to take their profit with prices at the current level. The spot price in London is hovering around £912 a ton, not yet dramatically higher than the council's shattered "ceiling" of £880 a ton.

GHANA

Tighter Exchange Controls

EFFECTIVE economic planning, Dr Nkrumah has decided, demands a knowledge of private capital movements; consequently, he has extended Ghana's system of exchange control to include all foreign countries and not only, as under present law, those countries outside the sterling area. All companies and financial institutions operating in Ghana must now maintain their "uncommitted capital," or temporary surpluses, in Ghana—surrendering their sterling assets to the Bank of Ghana for Ghanaian pounds. Banks and life insurance companies however, will be allowed to maintain working balances in sterling. This move, while it should have no effect on Ghana's total sterling assets, will consolidate these assets in the hands of the central bank. It will also mean that with the London market closed to absorb funds beyond its means. The supply of Treasury bills is

limited and at the moment the bills yield just under 4 per cent. Dr Nkrumah has also foreshadowed measures for the closer control of imports, directed in particular at non-essentials.

Full details of the new controls have still to be confirmed from Ghana and a lot must depend on how the Bank of Ghana interprets them. But it is clear that no one, resident or non-resident, may transfer funds out of Ghana without the approval of the Bank of Ghana. The intention, however, is that where in the past guarantees have been given to foreign investors, approval will be automatic. The generous compensation paid to the shareholders of the British-owned gold mines earlier in the year is generally taken in the City as a sign that this promise will be honoured.

These measures, Dr Nkrumah maintains, are not the result of weakness in the exchange position. In the four years since independence, he says, Ghana has spent £55 million of its foreign assets, and its total sterling assets still amount to £100 million—equivalent to one year's import bill. They would have been £15 million higher but for the fall in gilt-edged prices on the London market. At present Ghana has medium-dated debts of £35 million, repayable over the next eight years, and in future all external purchases for the development programme will be financed by foreign borrowing. In the coming financial year this is scheduled at £33 million.

ATOMIC ENERGY AUTHORITY

Getting at the Facts

THE Atomic Energy Authority devotes, as usual, considerable space in its current annual report to describing how it spends its time, but gives no information on how it spends its money. This is not, perhaps, entirely the AEA's fault. It is inhibited by a security system that fails to recognise that anyone who wants to know the number of people working in this country on atomic weapons has only to stand at the gates of Aldermaston any day of the week counting heads as the men go in. At a guess, however, perhaps a third of the AEA's staff of 40,000 and the lion's share of its 5,000 professionally qualified scientists and engineers work on civil research and development. This accounts for most of the staff in the research (Harwell) and reactor groups and for some of those working in its engineering divisions. The rest, apart from a London headquarters of 500, are engaged in routine production of uranium, plutonium and other nuclear materials, the manufacture of reactor fuel and its subsequent treatment; the design, maintenance and engineering of these basic production plants, and the manufacture and development of weapons.

None of this can be elicited from the AEA's report, nor is it possible to find anywhere in its pages the fact that nearly half

Continued on page 279

Profits: Still Slowing Down

THE accounts of 892 companies were analysed in the second quarter of the year and the detailed figures of this analysis appear on pages 296 and 297. The gross trading profits of these companies rose by 6½ per cent to £1,308 million. Most of these profits were earned in the calendar year, 1960, though about 15 per cent of the companies which published their reports in the second quarter drew up their accounts on March 31st.

The rise of 6½ per cent in trading profits is the lowest recorded since the last quarter of 1959 and it reflects in part the large influence played by oil and food companies. The oil companies included in the latest analysis reported a rise of just under 4 per cent in profits while the food companies, including the Unilever giant, reported a fall of 1½ per cent. A number of food companies earned higher profits and this offset all but £3½ million of the £9 million fall in trading profits reported by Unilever. Of the other important groups, the profits of the chemical and paint companies, including Imperial Chemical Industries, rose by 13½ per cent and those of engineering companies by 11½ per cent. The profits of companies in the miscellaneous manufacturing group rose by 6 per cent, just a little less than the industrial average. The biggest increase in profits was reported by the tobacco group and this rise of 22 per cent was closely followed by the increase of 21½ per cent reported by cotton companies. Falls in profits occurred in motors (down by 1½ per cent), shipping (down by less than 1 per cent), silk and rayon (down by 5½ per cent) and wool (down by 7½ per cent). Unlike the rubber plantation companies, whose profits rose by 19 per cent, the profits of the tea companies

fell by 6½ per cent. The latter was one of only three sections where ordinary dividends were reduced. Not surprisingly, the other two were shipping and shipbuilding, for though shipbuilding profits were slightly higher they were earned in orders that have not been replaced in the shipbuilding yards.

NET ordinary dividends rose by £25 million. This more than absorbed the increase in net ordinary earnings from £469 million to £493 million, so that the average dividend cover fell from 2½ to 2 times. Thus it would appear that these particular companies have reverted to the tendency discernible early last year of distributing a bigger proportion of their available earnings. While shareholders can be thankful that the directors were more generous they should view with some misgivings the decline in the rate of return on capital employed. This return can be calculated by expressing net ordinary earnings (after deducting non-recurring credits) as a proportion of net assets attributable to the ordinary capital. In the latest quarter this return fell from 8.6 to 8.2 per cent. This was the first time in two years that the average rate of return for all industrial groups showed a decline. Only three groups went against the trend: shops and stores, where the return went up from 13.6 to 14.1 per cent, chemicals and paints, where it went up from 8.0 to 8.6 per cent and cotton, where it jumped sharply from 5.8 to 7 per cent (reflecting, no doubt, the scrapping of old and surplus machinery in that industry).

The analysis of balance sheets shows that gross fixed assets rose by £523 million, or

over 10 per cent. This is the biggest increase for some years. Some part of the increase can be attributed to revaluations, but the bulk of it appears to represent new investment in plant and property. In some cases this will simply reflect new acquisitions, often made on a share exchange basis. This is reflected in the rise of £310 million in ordinary and preference capital in issue. This increase includes scrip issues amounting to £128 million. The amount of new money raised by these 892 companies last year was therefore not much more than £150 million.

This left a good deal to be found elsewhere, to finance not only the substantial increase in fixed assets but also the addition of £245 million to stocks and of £193 million to debtors. In the circumstances it is perhaps surprising that "quick" assets fell by only £53 million. The bulk of the additional investment was financed by increases of £184 million in depreciation, £317 million in reserves and £124 million in creditors. In the light of this year's spate of rights issues the most notable increase was in bank overdrafts. They rose by £99 million, or 37½ per cent, from £264 million to £363 million. The intention behind a number of the recent issues appears to have been to fund these overdrafts rather than to provide new finance for further expansion. And there may well be more to come though stock market conditions at the moment are not very encouraging. Whether the pressure on profit margins brought about by the rise in costs, particularly of wages, will be relieved by the more intensive use of the new plant that has been installed is far from certain. With the Chancellor standing in the wings and with such profit figures on stage it is not surprising that investors are waiting to see what will happen before committing themselves.

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PROFITS, PROVISIONS AND DEPRECIATION (£'000)				ANALYSIS OF BALANCE SHEETS Published April to June, 1961 (£'000)			
Reports Published April to June 1961		Reports Published July 1960 to June 1961		892 Companies		892 Companies	
892 Companies		2,300 Companies		Previous Year		Latest Year	
Previous Year	Latest Year	Previous Year	Latest Year	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit.....	1,226,214	1,308,093	2,442,374	2,732,371			
Income from investments.....	89,491	103,247	140,265	163,361			
Other current income.....	888	980	1,979	1,851			
Non-recurring credits.....	23,546	21,753	71,554	52,540			
Total Income.....	1,340,139	1,434,073	2,656,172	2,950,123			
Depreciation.....	265,035	286,176	509,437	562,199			
Income tax.....	370,936	397,109	733,824	810,799			
Profits tax.....	65,981	88,175	144,906	185,695			
Directors' emoluments.....	28,235	29,588	64,449	68,965			
Administrative charges.....	5,915	7,373	18,644	23,585			
Contingencies, provisions, etc.....	28,802	22,935	47,058	42,443			
Pensions.....	18,381	19,807	32,684	35,776			
Minority interests.....	13,841	14,633	29,723	34,121			
Loan interest.....	32,561	35,288	71,260	78,525			
Preference dividends.....	17,555	17,942	34,084	35,629			
Profits retained by subsidiaries.....	83,488	82,441	183,384	193,681			
Ordinary dividends.....	218,175	243,130	419,460	475,188			
Reserves (parent company).....	136,916	141,583	288,627	335,692			
Brought in (parent company).....	256,672	310,990	505,238	583,870			
Carried forward (parent company).....	310,990	358,883	583,870	651,725			
				Capital Liabilities and Reserves		Assets	
				892 Companies		892 Companies	
				Previous Year		Latest Year	
				Capital:—		Fixed Assets:—	
				Debtenture.....		Land, property	
				Preference.....		and plant.....	
				Ordinary.....		Less depreciation..	
				2,069,548		5,023,775	
				2,267,938		1,583,605	
				3,202,785		3,440,170	
				3,429,242		3,779,026	
				Reserves and Surplus:—		Trade Investments	
				Capital reserves.....		1,322,074	
				Revenue res. and carry forward		1,464,013	
				1,763,588		1,956,563	
				Total Capital Reserves and Surplus.....		Intangible Assets..	
				6,612,959		91,955	
				7,155,639		106,567	
				Outside Interests in subsidiaries..		Current Assets:—	
				207,506		Stocks.....	
				Current Liabilities and Provisions:—		Debtors.....	
				Bank overdrafts and loans.....		Gilt-edged secur't's	
				264,378		1,766,132	
				Creditors.....		1,434,087	
				977,117		133,589	
				Other current liabilities.....		Other marketable investments.....	
				500,253		158,749	
				Future taxation.....		639,876	
				85,796		Cash.....	
				2,166,167		4,132,433	
				2,485,892		4,516,720	
				8,986,632		8,986,632	
				9,866,326		9,866,326	



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Method of firing: Chain grate stokers
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COAL

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Continued from page 275

the authority's research effort—or to be precise, 45 per cent—goes on the development of new reactors (accounting for perhaps between 5,000 and 6,000 men), while another 15 per cent—say 2,000 men—are still doing research and development on the now-classic Calder Hall type of reactor. General research, including pure physics, thermonuclear research and work on isotopes, accounts for the balance; when the programme of research into thermonuclear fusion is fully developed it will make up 8 per cent of the authority's total research effort, employing between 800 and 1,000 people.

A Slight Change in Direction

THE authority does appear to have been scrutinising closely most of its research programmes; it has already recast its

research into fusion in a new form, described in the annual report in great detail. It appears to be attempting now to change the direction of its reactor research, channelling it into lines previously neglected in this country. This is not an easy step since the AEA has been committed for many years to a three-stage programme of reactor development that would carry it, if successful, into the mid-1970s. But the very rigidity of this programme, the fact that it was narrowly based on one class of reactor using a graphite structure and cooled in the main with gas, has been a source of concern both in and outside the authority.

The newly formed reactor division of the authority is attempting to back down from this limb by proposing a joint research project with Canada into a reactor using heavy water in place of graphite and steam cooling in place of gas. There is much to be said for this proposal; it will use considerable Canadian experience of heavy water, which

has many advantages over graphite, and give British engineers an opportunity to experiment with steam cooling, over which sections of the authority are most enthusiastic. The proposal is put forward under the guise of an alternative reactor for use in shipping which might be substantially cheaper than those studied by the Ministry of Transport—the AEA makes no bones about its dislike of these. But it must also mean that the authority is less confident than it was a few years ago about the progress of research already in hand. The next stage in commercial nuclear power, the advanced gas-cooled reactor, has recently been making heavy weather and still falls some way short of what is required of nuclear power in the late 1960s.

Is it not time now that the authority presented its accounts in a way that showed how its effort is divided between these various projects and how it spends the £78 million income that it admits to receiving

MOTORS

Smoothing the Ride

CAR springing is passing through a time of change; rubber and air springs have already replaced steel on some cars, and air has supplemented steel on others, though in the United States at least steel springs have mounted a successful counter-offensive. As cars get smaller and lighter, it becomes more difficult to design springs that give a comfortable ride while the car is empty, but are stiff enough to prevent the car sagging when it is fully loaded; passengers may make a difference of 50 per cent to its unladen weight. What is needed is a spring that will get stiffer as it is compressed—what is called a progressive-rate spring—or some means of keeping the car at the same height whatever the load. Rubber springs, as used by the British Motor Corporation on its baby cars, can have the first characteristic; so do pneumatic springs. Air springs can also be designed to provide softer springing than other springs. In practice, however, this advantage has not been fully exploited because soft suspension brings problems such as roll on corners.

Pneumatic suspension was first used on a mass-produced car by Citroën when it introduced the DS 19 in 1956; three years ago most American companies began offering it as an optional fitting on their cars, and there were optimistic assumptions that it would soon replace steel springs. But it flopped; on the big and heavy American car there was little difference in riding comfort, and buyers were not prepared to pay the high cost—caused by the need for an air or oil pump

driven off the engine, pipes to the wheels, and valves at each wheel to control the height. Citroën remains the most successful user of pneumatic suspension. On the road its cars do not give an immediate impression of being better sprung than a normal large car, and small irregularities in the road surface can be felt. It is when they are driven on bumpy roads that the superiority of the suspension becomes noticeable: the ride remains virtually the same as it is on smooth roads. The advantage it provides is, in fact, springing that is the same under all conditions. Borgward also uses air springing on its 2½ litre model, but to achieve automatic levelling more than to provide softer springing.

An air springing system that might cost no more than a steel independent rear suspension system has recently been announced by Armstrong Patents, the makers of shock absorbers. It is said that this would cost only £10 more than steel springs on the rear wheels. This unit is completely self-contained, needing no compressor to supply it with air, which saves much of the cost of other air springing systems, and efficient sealing means that the unit should never need more air added. Movement of the wheel compresses air, which acts as the spring, and displaces a piston in a cylinder full of oil as in an ordinary hydraulic shock-absorber—to "damp" the movement of the vehicle. Levelling is simply provided by making the movement of the wheel over bumps operate a small oil pump, which comes into use whenever the piston moves from its central position, and

passes oil from one side of it to the other until it is centralised again. To provide levelling alone, Armstrong uses the same principle with ordinary shock absorbers and springs. The extra cost of this device would be about £3 if it was used on the rear wheels only.

Another simple way of compensating for the effect of increase in the load carried is used by Renault; its "Acro-stable" system consists of a bag filled with air at atmospheric pressure that is used to supplement the ordinary springs on the rear wheels. When the car is empty the bag is not compressed, but it is increasingly compressed as the load grows heavier. There is therefore little change in the height of the car, and the springing gets stiffer the more the wheel tries to rise. This allows softer springs than normal to be used; the ride is smooth over small bumps, but the progressive stiffening of the springs means that larger bumps are felt though the springs cannot bottom.

The ride is not very different from that provided by the rubber springing system that BMC uses on its baby cars, which seems one of the more attractive types of progressive-rate springing for the producer of cheap cars. It costs rather more than a conventional suspension system; though the rubber spring itself is cheaper than steel spring, and can do with a simpler damper because rubber is self-damping. Even the Armstrong air spring seems a little expensive for small cars at £10 extra for two wheels; but in the medium-sized class there seems no reason why makers should not be prepared to pay £10 for better springing since they are already prepared to pay £18 for disc brakes. In America, however, cost seems now to be the dominant motive in the design of suspensions: the next change may be the single-leaf half-elliptic spring for a normal rear axle.

this year from the government, plus the unspecified millions received from the Ministry of Defence for nuclear weapons? The public image of the AEA is that of a vast research organisation; in fact it appears to devote only about a third of its effort to research and rather to be a large-scale production network. But this can only be deduced and surmised—just as the public must make what it can of the statement that the AEA's trading income last year was "nearly" £21 million, "about half" of which represented the sale of fuel elements, "approximately" £5 million the sale of electricity and "over" £1.3 million the sale of isotopes (leaving probably £5 million for the sale of graphite). Does no member of the authority ever glance at the annual budget of the Atomic Energy Commission in the United States which sub-divides expenditure under a large number of heads, including weapons (\$495 million in the current financial year plus \$27½ million for plant)? The same practice is followed in France by the atomic energy commission. The elaborate lengths to which the AEA in this country goes to conceal the scale of its activities merely feed existing suspicions that the public has been sold an atomic pig in a poke.

LUBRICATING OIL

Enter Veedol

TIDEWATER'S decision to enter the British market for lubricating oil with "Veedol" comes after the American inde-

pendent, Ashland, has had to admit defeat in its efforts to get national distribution in Britain for its oil—and has reported its troubles to the Monopolies Commission, which is now inquiring into the workings of the "solus site" petrol station system. Of the 32,000 garages in Britain, about 2,500 are owned by the oil companies and 3,000 are mortgaged to them; in these no lubricating oil other than that of the company concerned can be sold. Of the rest, more than 95 per cent are tied to one oil company, and though most are able to sell other oils, they are usually prevented by the terms of their contracts from exhibiting other oils in the forecourt or the lubricating bay—in return for which they get bigger discounts from their main supplier. Of the 13,000 Shell-Mex and BP garages, 25 per cent sell no other lubricating oils than those companies produce; and the rest agree that these will form at least 75 per cent of their total lube sales. Such agreements, with the retailers in their present strong bargaining position, may not be easy to police.

In this sticky market for an independent, Castrol claims that it still gets roughly half the country's sales, which must account for nearly all the 25 per cent that Shell-Mex and BP allows garages marketing its products to sell. But it is much easier for an established company such as Castrol to go on selling its oil even when many garages have been induced to stop showing it, than it is for a newcomer to gain a significant share of the market under these conditions. Though Tidewater seems prepared to spend heavily on advertising and promotion—free

oil changes, for example—to get its name known and its oil used, such methods are expensive, and could hardly be justified by sales if few garages stock it. But Tidewater reports that the initial response from the trade to their announcement has been encouraging, and it expects to get a large number of outlets soon; bigger discounts for retailers are one method it is employing to lure them to its sign.

Margins on lubricating oil are rather better than on most oil products now, and sales rose by nearly 10 per cent last year to reach 325,000 tons; but one may doubt whether Tidewater would find that sales could be adequate to justify a heavy investment in marketing Veedol. To enter the British gasoline market as a major would involve a far heavier investment, but might be rather more relevant to Tidewater's problems—especially after its new Danish refinery comes into operation. Selling and advertising oil will at least make the name of Veedol known to the British public.

BARLEY

Dumping Dammed

LAST week's announcement by the President of the Board of Trade that a case had been made out for restricting imports of cheap barley and that he was about to make a further statement put the market in a dither. If he proposed to use his powers under the anti-dumping act to

Although SAS's business rose by 15 per cent during the last operating year the corporation lost £5.8 million flying some 270 million ton-miles. Paying for seven new DC8's and 16 Caravelles on top of these other liabilities has absorbed its share capital, and in recent weeks the Scandinavian parliaments have voted £14.5 million to keep the Corporation airborne. The private stockholders have been less eager to contribute to the prestige of maintaining an international airline. The brief of the new managing director, Mr C. Nicolin, is simply to slash away at costs by some unspecified means and to fire 10 to 15 per cent of SAS's 14,600 employees. Having performed this emergency surgery Mr Nicolin will go back to his regular job as managing director of ASEA, the electrical group. A more patient and enduring person will then have to step in to nurse the convalescent through the anxious years ahead.

Until SAS is back on its feet financially, there can be no hope of resuming negotiations with the Dutch airline KLM about possible sharing of routes and equipment. But a working arrangement of this kind may be the means by which a medium-sized airline like SAS can stay alive in the jet age.

place an additional levy on these imports futures should fall. Bargains are struck on a cif basis and buyers are responsible for import duties payable on delivery. If duties here increased, the fixed discount on Russian barley would be too small. If, on the other hand, Mr Maudling took the course of action that he did in fact adopt at the end of last week, the market could be expected to rise. Because of the uncertainty, the barley futures market in London was therefore suspended from Wednesday to the end of last week.

Mr Maudling has persuaded Russia to stop delivering barley to Britain at less than £20 a ton, including import duty of ten per cent. This figure has the dual merit of being easily remembered and just about in line with barley prices at the start of last season. If Australia and France resume their sales, a minimum price will also be fixed with them. Mr Maudling's course of action may have been dictated more by the cumbersome procedure laid down in anti-dumping legislation, which his department is reviewing, than by choice. The Board of Trade never invokes the Act where persuasion will achieve the same ends. But the £20 a ton "target" did, however, come to the aid of some buyers who apparently thought that any protectionist move would raise the price of barley futures. Barley for delivery in November has now risen from £16 to £19½ a ton. Mr Maudling's target is comfortably within reach, although his edict does not apparently apply to reshipments of Russian barley.

In part that rise is a reflection of world conditions. China is absorbing large quantities of last season's crop, and the prospect for the new crop in North America is bleak. Drought threatens severe damage to crops in some areas. Manitoba has been declared a disaster area, and the United States has withdrawn export subsidies on barley and oats and is extending its price support scheme to lower grades of barley to ensure adequate supplies of feeding stuffs. Prospects for crops in the southern hemisphere have also deteriorated, but the recent rain and cooler weather should improve yields in Britain and western Europe.

SHORTER NOTES

Starways, an independent airline that already operates some scheduled services in Britain, is the first company to apply for licences to operate hovercraft ferry services; it hopes to start 19 around the British coast and across the Channel and the Irish Sea. It states that it will initially spend more than £500,000 on hovercraft for these services, which it hopes to start in about two years. It is waiting to see how the various types now under development perform before deciding which to buy; the sidewall type would be suitable for some services but not all, because it cannot operate across the mudbanks that are found in some of the estuaries over which services are planned. The company believes that hovercraft will prove more economic than aircraft over these relatively short routes.

Relocation of the motor industry begins to backfire: Wilmot Breeden announces that it is closing its car accessory factory at Bridgwater to concentrate its production for the motor industry in Birmingham.

Egypt has agreed to order capital goods worth £5 million from Britain in the next twelve months. Britain will take 25,000 bales of cotton valued at £2½ million in return. Egyptian exports of cotton have fallen sharply this season, particularly to non-communist countries; exports to Britain dropped from 28,000 to 6,000 bales in the season to June 28th. It was earlier hoped that Egypt would agree to take £10 million of British capital goods.

ICI has cut the price of Terylene staple fibres by 10d. a lb., a reduction of just over 8 per cent for best-selling varieties. A larger reduction has been made in 1½ denier fibre, whose price has been cut from 10s. 6d. to 9s. 2d. a lb., the same price as standard varieties.

Despite opposition led by the Industrial and General Trust a one-for-two scrip issue by Illingworth Morris in the form of non-voting "A" shares was approved at an extraordinary meeting this week. Shareholders owning 368,000 shares voted against the proposal, which was described as a "retrograde and wrong step."

United Breweries, which already holds 10 per cent of the ordinary capital of Catterall and Swarbricks Brewery, Blackpool, is bidding for the preference capital and the rest of the ordinary capital of that company. The offer of eight of United's ordinary shares plus 56s. in cash for every one of Catterall's ordinary shares values the latter at about 148s. Twenty-seven 6 per cent £1 cumulative preference shares in United are offered for every twenty 7 per cent £1 preference shares in Catterall.

South Africa has clarified its exchange controls. Overseas investors who use their blocked rands to purchase government, municipal and utility stocks with five or more years to run, will be able to take their money out of South Africa when the bonds mature.

Sales of domestic appliances by the area electricity boards last May can now be compared with those of May 1960, the first month after the hire purchase regulations had been imposed. Seventeen per cent fewer refrigerators were sold, explaining the present troubles of the industry, but washing machine sales were the same in numbers, confirming impressions that this industry has scarcely recovered from the blow: in value, however, its sales will have been higher because more washing machines are now of the automatic type. Sales of electric cookers were seven per cent higher, suggesting that they are continuing to gain ground at the expense of gas.

OTHER AIRLINES' TROUBLES

SAS in Stormy Weather

BY A CORRESPONDENT IN SWEDEN

OUT of the dirty Scandinavian skies came last week a clap of lightning which flung Mr A. Rusck out of his pilot seat of running Scandinavian Airlines System, jointly owned by Norway, Denmark and Sweden, and incidentally robbed the International Air Transport Association of this year's chairman. No reason has been given by the executive committee meeting in Oslo for tossing out Mr. Rusck from his top inter-Scandinavian job in full view of the northern tax payers. Presumably it is less a case of mismanagement than a reversion by the committee to the ancient Norse custom of human sacrifice to placate the angry gods of economics.

SAS is in trouble, like any modest-sized airline with expensive jet equipment operated below the break-even point. But in addition to this common malaise, SAS is suffering from acute disorders brought about by the board's decision to engage the airline in joint ventures with local airlines in Mexico and Thailand. By these ventures the board hoped that SAS would

get bridgeheads on the South American and Far Eastern markets, only to learn that such manoeuvres cost high; by the last count the corporation stands to lose £2.8 million.

SAS is also in hot water with its new air terminal in Copenhagen incorporating a luxury hotel, the cost of which rose while building from the estimated £1.7 million to £3.0 million. The airline has also had to treble its terminal facilities at Arlanda, the new airport built amidst Viking graves in the woods some 50 miles north of Stockholm. When completed after 14 years of building and at costs in excess of £17 million, the Swedish air transport authority found to its dismay that the 11,000 feet runways were used only for landing practice by shrimp-like Piper Cubs. The Airlines, including SAS, stayed away because they disliked the awkward location. To appease the angry authority SAS has had to agree to move to the new field and undertake to fly direct from Arlanda to New York with near-empty DC8's.

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COMPANY MEETINGS

RECORD STEEL OUTPUT AT CONSETT

NEW PLANT BRINGS GREATER WORKING ECONOMY

LORD RIDLEY'S ENCOURAGING REPORT

The Annual General Meeting of Consett Iron Co. Limited will be held on August 1, 1961, in Newcastle.

The following is the Statement by the chairman, Lord Ridley, circulated with the Report and Accounts for the year ended April 1, 1961:

I said last year that the prospects at least for the first six months of the coming financial year were very good. In fact all departments worked at full capacity until the end of January, when there was some slackening in demand throughout the industry. At the end of the year we still had a full order book for plates and for light sections and strip, which are rolled in our Jarrow Mills, but for the last two months we had not been able to sell as high a tonnage of slabs, blooms and billets for further processing by other firms in the industry. Nevertheless, in the financial year we produced 979,000 ingot tons of steel. This is a record for the company, and compares with the last record output of 966,000 tons in the financial year ended September 1957.

OUTLOOK

At the time of writing, it is extremely difficult to forecast the demand for the next 12 months. We expect to sell more plates than last year, certainly for the next few months and probably to the end of the financial year, but we do not expect yet to be able to work the new mill to full capacity. There seems to be a revival in demand from consumer goods industries and motor manufacturers which should have an indirect effect on the sales of our other products, and there are some prospects of sales abroad, although at prices which are not very remunerative. Demand for our light re-rolled products from Jarrow is still good.

On the whole it looks as if for the coming year we shall be working a little below our maximum ingot capacity, but we shall have the benefit of a reduction in the cost of rolling plates, due to our new mill, and we shall be more competitive in sales of plates since this mill can roll to a high standard of accuracy and includes a wide range of finishing processes.

EFFECT OF STOCK FLUCTUATIONS

One of the difficulties of the steel industry, as of other industries, is that when there is a strong demand for steel both consumers and stockholders tend to increase their stocks, and conversely when trade is slack these stocks are reduced. This happened to a very striking degree in the recession in 1958-9 when the published figure for stocks of finished steel was reduced by over one million tons in under two years, and again in 1960 when stocks were increased by nearly one million tons.

It is very natural that in a time of shortage of steel and of high demand consumers should wish

to be sure of supplies of steel and so to increase their stocks, but the resulting fluctuations in demand are very damaging to the steel industry, since a steady level of production throughout would be far more economical. I hope that the industry will be able to work out some arrangements with customers to achieve this.

NEW PLATE MILL RUNNING WELL

The new plate mill started rolling in September 1960; at that time very little of the finishing plant was completed. The output has increased gradually and in March the mill was put on to three shifts. The whole of the finishing equipment was not due for completion till the end of May, and for that reason and also because of the inevitable delays to production associated with starting up new plant, the weekly output by the end of the financial year had not reached the planned amount, though it had been steadily increasing. The quality of the product was however excellent, and by the end of March, both the yield and the operating cost were approaching the standards expected. There is no doubt that the mill and its associated plant is capable of the performance for which it was planned. One of our old plate mills was taken out of commission some months ago but the other has been kept working to supplement output until all the finishing plant in the new mill is complete.

The mill was formally opened on April 26, 1961, by Lord Mills, H.M. Paymaster General, on which occasion many of our customers and many representatives of other steel firms were present and were able to see the mill in operation. We are greatly indebted to Lord Mills for coming to help us in that way.

NEW STEEL PLANT PROGRESSING

Progress on the new steel plant continues satisfactorily, though our engineers, in conjunction with our consultants, took longer with the design of the pneumatic vessels and other necessary plant than we had expected, largely because the vessels for both types of plant are to be larger than any so far made in this country. As a result of this design work, however, there are indications that the cost of operating may be lower than originally expected.

As I said last year, one of our three blast furnaces was blown out for relining last April. It was blown in again in August after the works' holiday. Another one was taken out in April this year for relining.

REDUCED TRADING MARGINS

Although the ingot output was the highest achieved since 1957, and in spite of technical improvements and additions to plant leading to reduced costs, the gross trading margin this year was not so high as for 1957. This is accounted for by the fact that between 1957 and 1961 the

Iron and Steel Board have made a gradual reduction in the maximum prices that the industry is allowed by law to charge for scheduled products, while at the same time there have been increases in wages, in the costs of coal and of other supplies, and in rates. Although these have been to some extent offset by reductions in the effective cost of ore and scrap, the trading surplus that steel companies can earn has been reduced.

Further increases of costs will result from the increase in coal prices in October 1960, the tax on oil introduced in the 1961 budget, with a possible payroll tax and the proposed abolition of industrial derating in 1963. All these together will have a noticeable effect on the cost of steel and consequently on the resources that can be accumulated in the industry to meet the cost of replacement of plant, while the increase of profits tax in the 1961 Finance Bill will further reduce the sums available for this purpose. At the same time both the size and cost of new plant are increasing; the Iron and Steel Board should therefore see the necessity of allowing steel companies to earn enough to finance their very large programmes for replacement and development.

In the steel industry prices have been reduced continually since 1957. If the other basic industries, upon which steel depends, could similarly reduce their prices, and if additional taxation were not to be imposed, it would still be possible that relatively low prices could assist the export both of steel and of products manufactured from it.

RESULTS

The trading surplus before depreciation for this year is £5,008,659 compared to £3,906,625 last year. This is a satisfactory increase which reflects the improvement in trading conditions and a gradual increase in the economy of operation of the plant. Depreciation is higher due to the fact that the new mill became operative before the end of the year, and interest is higher at £951,492 compared to £420,256 last year, on account of increased borrowing to meet the cost of construction of new plant. The net income before tax comes to £2,473,203 as against £1,997,158 last year. Taxation would have been £1,300,000 but for investment allowances of £666,250 on account of expenditure on new plant. Profit after tax is therefore £1,839,453 compared to £1,693,990 last year.

Last year your directors felt that, in view of the large development programme, it would be prudent to recommend the same dividend as for earlier years.

I said at the last annual meeting that I hoped that a favourable year's trading, combined with successful working in the new plate mill for the last few months of the year, would enable your directors to consider recommending an increase in dividend.

THE ECONOMIST JULY 15, 1961

Although, as I have already said, trade was good for most of the year, demand for steel fell off a little in the last few months and the prospects for the present year are a little uncertain. The new plate mill, which is far the largest item in the present capital expenditure programme, is now working and in the last months of the year has proved itself capable of making a useful contribution to the earnings of the company, but there is still the need to conserve financial resources in view of the large expenditure which the new steel plant will need. Nevertheless your directors consider that a stage in the development programme has now been reached at which they are fully justified in recommending an increased dividend of 9½ per cent, compared to the 8½ per cent which has been paid since 1957.

Last year we made some changes in the form in which the accounts were presented; this year we have continued this process so that we now show both the profit and loss account and the balance sheet under simple headings followed by notes which give as much detail as possible. I hope that shareholders will find these both easier to read and more informative than the older form of accounts. We have also included statistics covering the last ten years of the Company's operations which should be of interest to shareholders. It is our intention to continue this form of presentation of accounts for future years.

The Capital Reserves and General Revenue Reserves have been combined in a single General Reserve, leaving the unappropriated profit shown separately as before. This simplifies the Balance Sheet and recognises the fact that most of the Revenue Reserves as well as the Capital Reserves are now invested in new plant.

We have transferred £511,310 from this General Reserve to Deferred Liabilities under the heading of Future Taxation; this adjustment, which relates to other years, has the effect that the amount set aside for future taxation now represents the estimated tax (including the additional profits tax imposed by the 1961 Finance Bill) on the difference between the written-down value of the plant as shown in the Balance Sheet and its written-down value for tax purposes.

The company suffered a great loss on October 1, 1960, by the death of Sir Charles Bruce-Gardner, who had been a Director since 1946. Due to his lifelong experience in the steel industry and his wise judgment he made a very valuable contribution over those years to the direction of the company.

Mr E. J. Hunter was appointed to the Board on November 1, 1960; this appointment will come up for confirmation at the Annual General Meeting. I am sure that his knowledge and experience of industry will be a very great help to us.

THANKS TO STAFF

The staff and workmen of the company deserve our thanks for the way they have worked during the year, sometimes under difficult conditions. A blast furnace had to be relined and blown in, and there was a great deal of extra work involved in getting the new mill started and in the planning of the new steel plant.

The changes involved in the closing of the old plate mill and the starting up of the new mill have also had their effect on the shifts worked by a large number of men employed.

All this has been satisfactorily accomplished and shows that the company is well served by good management and loyal workers.

COMPANY MEETING REPORTS

SENA SUGAR ESTATES

LOWER PRODUCTION AND PROFIT

The forty-first annual general meeting of Sena Sugar Estates, Limited, will be held on July 20th at Winchester House, Old Broad Street, London, E.C.

The following are extracts from the circulated statement by the Chairman, Lieutenant Colonel C. B. R. Hornung, DL, for the year ended December 31, 1960:

The result of our operations in 1960 shows a considerable reduction in the profit on trading due to a reduction in the sugar output and an increase in cost of production. I warned you last year that the persistence of dry climatic conditions would have an adverse effect on the sugar output with the result that the factories produced 102,862 tons sugar compared to 114,087 tons in the previous year. This reduction was not due to any deterioration in the quality of the cane crushed, but to the reduced tonnage per acre due to drought.

Our Lisbon Subsidiary, Sidul, refined rather more sugar than previously which was brought about by the increased consumption in Portugal. The Commission, which has to report on the reorganisation of the refining industry and the closure of the many small inefficient refineries, has not yet made its report.

Due to the reduced profit on trading, the tax charge for the Group is lower at £278,295 compared to £389,907. I pointed out last year that in future it would be necessary to increase the annual charge for depreciation and the charge in the Parent Company's Accounts is now £300,000 compared to £200,000. On the other hand, it is proposed that the amount of £100,000 for additional depreciation appropriated from profits in previous years should not be repeated. Thus the total amount written off the Fixed Assets remains the same.

RESULT OF OPERATIONS

After making provision for all charges and the retention of £14,472 by our Subsidiary, we are left with a profit of £361,402 to which must be added £191,647 brought forward from the previous year and £54,000 for taxation provision no longer required, making a total of £607,049 available for appropriation compared to £850,415.

The Preference Dividend for the year absorbs £17,916 and the interim Ordinary Dividend of 2½ per cent free of tax paid in February, 1961, required £76,781. We now propose that the final dividend on the Ordinary Stock should be 6½ per cent free from tax and thus the total dividend for the year is 9 per cent free of tax. We further propose that £100,000 should be transferred to General Reserve and £212,721 remains to carry forward.

IRRIGATION SCHEME FORESHADOWED

Having dealt with the past year, I can now turn to the future. Both Luabo and Marroumeu factories started crushing on May 1st. It is still too early to make a reliable forecast of sugar production for the year 1961. A preliminary estimate of tonnage of cane available for crushing indicates rather more than in the previous year, but the tonnage of sugar will depend on the quality of the juice which cannot be foreseen.

Late rains depressed the sugar content of the cane at the start of the crop.

We are actively studying the problem of installing an irrigation system to ensure the plantations against the risk of droughts such as we have experienced of late. This is a very large-scale problem indeed, but the benefits to be derived could be very substantial if thereby we could ensure a sufficiency of water at the right time. Before embarking on the very considerable expenditure entailed, we are obtaining expert advice and must continue with our experiments. Modifications of the Luabo factory mills will be completed in time for Crop 1962, enabling the factory to deal with a larger crop of cane when this becomes available.

COMPAGNIE MARITIME
DES CHARGEURS RÉUNIS
(Paris)

The General Meeting of the Compagnie Maritime des Chargeurs Réunis was held on June 20, 1961, M. Francis C. Fabre presiding, and approved the resolutions proposed by the Board.

OPERATIONS

The Report of the Board of Directors gives information on the different services operated by the Company: Europe/South America, Europe/West Coast of Africa, Europe/South Africa, Europe/Far East, USA/West Coast of Africa, Far East/West Coast of Africa, Round the World (USA/Far East/Europe/USA). Taking all these lines together, there were in 1960 222 voyages, 16,995 passengers were carried and cargo amounted to 1,472,900 tons, which was a volume of business substantially equal to that of 1959.

FLEET

On January 1, 1961, the Company was operating 49 ships representing a tonnage of 314,427 gross tons of which nine ships (63,301 tons) were on bare-boat charter. Five new ships entered the fleet in 1960; one ship has been sold. A tanker of 51,500 tons is to be delivered to the Company at the end of the year. At the beginning of 1962 an ore carrier of 28,700 tons, ordered by a subsidiary company, will be delivered.

UAT

The business of l'Union Aéromaritime de Transport (UAT/Aéromaritime), the airline subsidiary of the company, has again been increased on the routes that it serves (Central Africa, South Africa, Rhodesia and Libya). The number of passenger/Km exceeded the 1959 figure of 425,544,000 and reached 503,992,000. The fleet in operation on January 1, 1961, included two four-jet DC8s, 10 four-engined DC6s, four DC4s, seven Herons, making a total of 23 aircraft.

PROFIT AND DIVIDEND

The net profit for the year 1960 was raised to NF 4,800,522 and it has been decided to distribute a net dividend of NF 3.40 per share, equal to last year.

FERRANTI LTD

The Fifty-sixth Annual General Meeting of Ferranti Ltd. will be held on July 28 at 68/71 Newman Street, London W.1.

The following are extracts from the review by the chairman Sir VINCENT DE FERRANTI, M.C., I.L.D., M.I.E.E., which has been circulated with the report and accounts for the year ended March 31, 1961:—

PROFIT AND LOSS ACCOUNT

The Consolidated profit for the year amounts to £3,401,023 as compared with £4,014,890 for the year to 31st March, 1960. After provision for tax the net profit is £1,661,023 against £2,123,390 last year.

Profits brought forward at 31st March, 1960, were £541,882 and, after providing £85,750 for Preference Dividends, we have transferred to General Reserve Account £1,300,000. A Dividend of 6 per cent on the Ordinary Stock (£73,500 after deduction of tax at 7s. 9d.) is recommended, leaving undistributed profits carried forward of £603,655.

BALANCE SHEET

Net Assets as shown by the Consolidated Balance Sheet, after allowing for Deferred Liabilities and Provisions (£2,186,916) amount to £11,670,994, an increase of £1,502,803 on last year's figures, and are represented by the ISSUED CAPITAL of £4,500,000 and RESERVES AND SURPLUS of £7,170,994.

FIXED ASSETS, less depreciation, at £6,411,265 show an increase of £835,491, representing mainly the modernisation and extension of the existing plants called for by the continued expansion of output, expenditure on the new factory at Long Island, New York, and new laboratories at Edinburgh and Bracknell, and the cost of equipping the initial stages of the new London Computer Centre.

The Consolidated input, output and unexecuted orders have all increased, but the profit is below the peak figure for last year, mainly due to the depressed state of the markets in North America. **In Great Britain, also, expenditure on research and development has increased in order to maintain our position in the forefront of the fields of computers and electronics, whilst profit margins have decreased in the case of the various types of equipment which we make for the electricity supply industry.**

DIGITAL COMPUTERS

One branch of our activities making a substantial contribution towards the increased input is the sales of **Electronic Digital Computers**, in which the Orion fully transistorised Computer accounts for a large proportion of the orders taken during the year. These orders have come in from Insurance Companies, Banks, and other Institutions, and the factory at West Gorton has been completely reorganised and extended to deal with the increased business. A pilot model of the high-speed Atlas Computer, designed in collaboration with

Professor Kilburn and his staff at Manchester University, is now working, and shows every promise of fulfilling the predictions made last year for its performance.

The Argus Computer, developed originally in connection with Guided Missile Systems, has also proved suitable for a wide range of major Industrial Process Control Applications, and orders have been received from Imperial Chemical Industries Ltd. for a large chemical plant control installation, and from Babcock and Wilcox Ltd. for the push-button start-up and shut-down of a large boiler installation at the Central Electricity Generating Board's West Thurrock Power Station. Both these computer control installations are milestones in technological progress and are the first of their kind in Europe.

The new Computer Centre in London, referred to last year, is now in operation, and has already become a scene of great activity. The Pegasus 2 and Sirius Computers have been installed.

POWER TRANSFORMERS

The total sales input of **Power Transformers** has also increased, and the input from the home market has surpassed all previous figures. Deliveries overseas include the completion of the original contract for the supply of transformers for the Kariba Project in Northern Rhodesia, and of the contract for the New York Power Authority's Niagara Scheme in the U.S.A.; for the five years ended 31st March, 1961, our export output of transformers has averaged 28 per cent. of our total transformer output.

An event of considerable importance in the transformer field is the recent judgment of the Restrictive Trade Practices Court against the Associated Transformer Manufacturers' Price Agreement. The view of the Court, that discontinuation of this Agreement should not lead to a depression of profit margins below an economic level, is open to considerable doubt, but it is too early as yet for the full effects to become apparent.

OTHER PRODUCTS

Downward pressure upon the prices of **Electricity Meters** continues, and in line with the national trend for these devices there has been a small reduction in our sales input from overseas; nevertheless, our export output of meters over the last five years (including the year under review) has averaged 57 per cent of our total meter output during that period. This fall has been more than offset by a considerable rise in home business, so that the total output for the year has exceeded all previous figures. A large programme has been put in hand for extending the department and installing more special-purpose machinery, as part of a continuous effort to lower manufacturing costs, and five new special-type meters are being brought into production.

INSTRUMENTATION FIELD

In the field of **Instrumentation**, the volume of business continues to increase slowly. Orders have been received for the Transient Fault

Locator for high-voltage transmission lines, mentioned last year, and new developments introduced since then include an Electronic Summator for metering bulk electricity supplies, which has been favourably received by the Supply Authorities.

Work continues on the development of **Semi-Conductor Devices**, and the installation of automatic machinery has lowered the production costs of our Silicon Diodes and Rectifiers to levels at which they can be sold in markets that, up till now, have been met by cheaper forms of rectification. We have maintained our lead in the design and production of **T. R. Cells** and other radar duplexing components, and research into high-voltage thermionic cathodes has enabled us to extend our range of **Ceramic Diodes** to cover higher voltages and currents.

AIRCRAFT EQUIPMENT

The sales input for **Aircraft Navigation and Control Equipment** shows a substantial increase. Research and development work on Stabilised Inertial Platforms continues on a considerable scale, and very great interest has been shown in the design of a miniature platform of exceptional promise. Trials of the Flight Director Systems for the control of helicopters are expected to commence during the forthcoming year.

Our **Airpass I Radar** and Fire Control System has been in squadron service with the Royal Air Force for most of the past year, and a production order for the later mark has been received.

The year under review has been one of maximum production activity on the Bloodhound I **Guided Missile System**, and the order for Sweden has been delivered and installed; that for Australia will be completed during 1961. Development is proceeding on a highly sophisticated, fully air transportable, and longer range version, known as Bloodhound II.

The volume both of output and of development work on **Fuzes** has increased substantially. Much of the latter is based on established fuze technique, but, in addition, it includes specialised development which is required for safety and arming mechanisms for guided weapons.

RESEARCH AND DEVELOPMENT

As mentioned earlier, the scale of our **Research and Development** work continues to increase, particularly in connection with computers and electronics. A new laboratory block has been built at Silverknowes, Edinburgh, and another is under construction at Bracknell in Berkshire, the first part of which should be ready for occupation by the Autumn of 1961. **This emphasises the importance of retaining substantial funds in the business.**

In Canada, Ferranti-Packard Electric Limited still faces difficult trading conditions, but cost reductions continue to be made by improving designs and manufacturing methods, and many new product developments are under way, particularly of an electronic character, which are finding a market in the U.S.A. as well as in Canada.

LONDON TIN CORPORATION

NEED FOR FRESH THINKING ON THE TIN POSITION

SIR DOUGLAS WARING'S STATEMENT

The Thirty-fifth Annual General Meeting of London Tin Corporation Limited will be held on July 14th at The Chartered Insurance Institute, 20, Aldermanbury, London, E.C.

The following is an extract from the statement by Sir Douglas Waring, CBE (the chairman), which has been circulated to Shareholders.

The Corporation's net profit for the year ended March 31, 1961, after providing for taxation, was £1,006,369 compared with £598,943 for the previous year.

The dividends paid (35 per cent against 25 per cent) took £775,660, leaving a balance of £230,709, which raised the balance on profit and loss account to £633,804. The sum of £300,000 has been transferred to General Reserve leaving £333,804 to be carried forward.

The substantial increase in our income was due in the main to the higher dividends received during the year from our tin investments, as a result of increases in exports allowed by the International Tin Council.

CAPITALISATION PROPOSALS

The capital Reserve now stands at £200,000 and the General Reserve at £1,500,000. The Directors propose that the whole of the Capital Reserve and part of the General Reserve should be capitalised and that shareholders should receive one new fully paid ordinary share for every five ordinary shares held.

INVESTMENT PORTFOLIO

The investments held by the Corporation and its wholly-owned subsidiaries, consist, to the extent of 79.2 per cent of book cost, in shares in the leading tin mining companies.

The remainder of the portfolio comprises equity holdings in Commercial and Industrial Undertakings, other minerals including Oil, Public Utilities and Trust Companies. This forms a useful counterbalance to the fluctuations which are inevitably connected with the Tin Mining Industry and it can be expanded as and when suitable opportunities occur.

The market value of the Investments shows a considerable increase as against the previous year.

THE TIN POSITION

Free world consumption of Tin in 1960 was the highest ever recorded. The latest revised figures issued by The International Tin Council show a total for that year of 169,000 tons of metal excluding the Sino-Soviet countries. A change is apparent in the pattern of world consumption. Demand has increased from the Continent of Europe and from Japan reflecting the industrial upsurge which is gaining momentum in the countries most severely

devastated in the World War of 1939 to 1945, whilst the gradual emergence since that time of some of the lesser developed countries is now creating a new demand for Tin which must increase as they progress, especially because by far the largest end-use for tin is tinsplate.

Free world mine production in 1960 was reported at 135,000 tons of metal. Exports from the main producing countries which are signatories to the International Tin Agreement, and the stocks they were allowed to build up, were controlled for the first three quarters of the year. Thereafter all controls were lifted. Since then, production, particularly in Bolivia and Indonesia, has not increased, and supplies from the Republic of Congo have been interrupted. Meanwhile demand for Tin has continued at a high rate.

The price of Cash Tin in London, which averaged £796 per ton in 1960 had reached £830 by early April, 1961. In June it reached £880 per ton, the price at which the Buffer Stock Manager of the International Tin Council was bound to sell, and the whole of the Buffer Stock of Tin was quickly exhausted. Since then the price has advanced to a substantially higher level, and demand continues strong.

At the time of the preparation of this statement, the International Tin Council is in session, and no doubt the whole position of estimated future production and consumption will be under review. In particular the inability of some producing countries to increase exports during a period of nine months free from Control must call for close attention, and it is pertinent to raise the question as to whether the price range agreed by the Council in the past is, as a whole, a realistic one in the light of present day conditions. Exactly a year ago this matter was discussed exhaustively by producer and consumer delegations at the United Nations Conference on Tin in New York and the delegation for Bolivia, which pre-war was for many years the second largest producer of Tin in the World, made it clear that the existing price range of £730 to £880 a ton was uneconomic to the mining industry of that country. So long as world production exceeded demand it was understandable that consumer delegations should remain unresponsive even if they were sympathetic, but fresh thinking now seems necessary and the problem should be re-examined on a long term basis especially because, in spite of intensive prospecting, no new large fields of tin have been located in the free-world as we know it for the past thirty years or more.

THE UBIQUITOUS TIN CAN

In this context it is of course relevant to raise the question of substitution of other materials in place of Tin if the price of the metal were to rise too steeply. As I have already mentioned, the main outlet for tin is tinsplate. The total quantity produced in 1960 was a record of 8,640,000 long tons, which is

an increase of 1½ million tons over the figure for 1959. Most of it is used in the manufacture of the ubiquitous tin can. The governing factor in the cost of materials used in the manufacture of tinsplate is the price of steel and not the price of tin. The weight of a standard basis box of electrolytic tinsplate in the UK is 108 lbs. Of this weight 107½ lbs. is steel and ½ lb. is tin. From this quantity of tinsplate about 500 cans of a popular size are made by the can manufacturers. With Tin at £880 per ton, namely the ceiling of the price range under the 1954 International Tin Agreement, the cost of the tin in a basis box is 3s. 11½d. which is equivalent to 0.095 pence per can. A rise in the price of tin by £100 above the ceiling would account for an increase in the cost of the use of this material by about one hundredth of a penny per can. Therefore, whilst accepting the fact that there is very keen competition over various forms of packaging which makes the can manufacturer alive to every aspect of his costs, I hope that the figures which I have quoted might tend to dispose of any argument that the price of the tin element is the deciding factor in the cost of the tin container against the cost of some other type of substitute.

I would have thought that a matter of far greater concern was the assurance of future supplies of tin by means of production on a long term basis, and it is probable that too little attention in the past has been paid to this in a practical manner at the level of the International Tin Council. Even in the case of Malaya, which is the world's largest and cheapest producer of Tin, we are continually reminded by spokesmen of the Industry and by Government mining officials that the future must rest in the working of lower grade deposits by large capacity plants. This is a challenge which the Malayan miners will I know readily accept and are capable of meeting, but as the cost of these plants is now in the order of 1½ million pounds sterling per dredge it is necessary to be reasonably assured of a future Tin price range which in the long term will allow for amortisation over the definite limited life of an alluvial property and an economic return on the capital to be provided.

In spite of the probable shortfall in tin supplies this year, I have no doubt that in the long term the producing countries—given fair prices—will, between them, be able to meet all the demands of the consuming countries.

GENERAL: The outlook for Tin in the current year appears to be good, and on that basis our income for the year to March 31, 1962 will probably show an increase over that recorded in the accounts under review. It is however too early in the current year to make any reliable estimate of dividends to be received, and it is not possible to predict financial policy and other considerations affecting the distributions of individual mining companies which constitute our revenue. If no adverse conditions arise, we would hope to be able to maintain the existing rate of dividend on the increased capital proposed.

FERRANTI

ASSAM FRONTIER TEA

The 73rd annual general meeting of The Assam Frontier Tea Company Limited will be held on August 2nd in London.

The following is an extract from the circulated statement of the chairman, Sir Charles Miles, OBE:

The profit for the year ended December 31, 1960, amounts to £498,726, and after charging Depreciation of £74,000, there is a balance of £424,726, which compares with £302,624 for the year 1959.

Contrary to the experience of some Assam producers, your Company was not affected by the drought, and, with an increasing yield from the young tea areas, the crop was the highest so far secured in the Company's history, the

LONDON SUMATRA PLANTATIONS

MR F. W. HARPER'S REVIEW

The Annual General Meeting of London Sumatra Plantations Ltd., will be held on July 31st at 19, Fenchurch Street, London, E.C.

The following is an extract from the statement by Mr F. W. Harper, the chairman, circulated with the report and accounts for the year ended March 31, 1961:

During the period covered by the sterling accounts now presented the majority of the plantation companies in the Group received remittances based on their Rupiah currency profits for the Indonesian tax year 1957. These constituted the largest component of the Group's sterling profit for the period, out of which the board are recommending the payment of a dividend of 16 per cent less income tax.

During the year ended March 31, 1961, total crops of 31,361,317 lb. of rubber and 6,815 tons of palm oil and kernels were harvested on the Group's estates in Sumatra, these being higher by 11 per cent and 24 per cent respectively than the crops harvested in the preceding 12 months.

Local finance has caused us acute problems and is still doing so. As you will remember, the greater part of the subsidiaries' Indonesian bank balances was frozen in 1959 and we were left in the position of having to pay taxes in respect of earlier periods out of current earnings.

Within the limits imposed by these liquidity problems, it has been the policy of the Group to maintain as progressive a rejuvenation programme as possible and to press forward the modernisation where necessary of workers' accommodation and factories. Replanting and extensions carried out on the Group's estates in the 1960 planting season totalled 2,928 acres of rubber and 321 acres of oil palms, bringing the total area planted in the last five years up to approximately 12,000 acres.

LAND TENURE

In recent years reference has been made in chairmen's addresses of companies in the London Sumatra Group to the doubts and uncertainties which existed on the subject of land tenure. Various official pronouncements had led us to expect that we should be granted new titles to all our estates for a uniform period of 30 years, but following the enactment of a new Basic Agrarian Law in September, 1960, it has now been made clear that this will not be the case. Under the Law all existing estate titles are

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yield from our Assam estates rising from 1,100 lbs. to 1,204 lbs. per acre. Sales proceeds increased by over £230,000 but against this there was a rise of approximately £100,000 in upkeep expenditure, largely due to the extra crop harvested.

We recommend the payment of a final dividend of 7 per cent on the Preferred Stock, making 10 per cent for the year, and a dividend of 25 per cent on the Ordinary Stock.

With regard to the current year, our crop to the middle of June is 1,279,920 lbs., a decrease of 224,400 lbs. when compared with the same period last year. During the latter part of May and early in June the weather was unusually cold and wet, and growth was checked at a time when the quality teas of the year are made. Reports on our early manufacture, however, are satisfactory.

cancelled, but the holders are eligible to apply for new rights of exploitation which in the case of foreign holders will expire on the same dates as their original titles, subject however to a maximum validity period of 20 years. The question of compensation for buildings and plant remaining on the estates at the date of expiry of the title and for immature areas planted on the strength of the above-mentioned assurances is open for negotiation through diplomatic channels.

The disappointment which is naturally felt at the change in the Indonesian Government's agrarian policy must be kept in its proper perspective and related to practical politics. From the planted area statement at the end of the report you will see that the Company will still have a very substantial stake in Indonesia for as far ahead as it is at present possible to plan.

Although there will naturally have to be some adjustments to programmes and priorities, it is your board's intention to adhere to our existing policy of good husbandry so as not merely to maintain but to enhance our reputation as efficient producers.

NEW MERGER PROPOSALS

Simultaneously with this report members will receive a copy of a letter of offer which is being addressed to the members of certain other companies operating in Indonesia with a view to their incorporation into the London Sumatra Group. Practical experience of the results of the initial merger carried out last year has left the directors more than ever convinced of its advantages to shareholders. We and the other boards concerned are confident that the further extension of the Group which is now proposed will also prove beneficial from the point of view of estate operations in Indonesia. In addition it will bring into the Group Kulai Rubber Estate, Limited, a company owning a high-yielding rubber estate in Malaya and valuable trade investments. The income from this source and from Auxiliary Investments Limited, which will be a wholly owned subsidiary if all the offers become effective, will supplement the amount available for dividend in any year during which remittances from Indonesia may be delayed. To achieve this object it has been essential to ensure that shareholders of the Bah Lias, Central Sumatra and Sialang Companies are adequately compensated in cash for the reduction in the non-Indonesian element of their investments which will result from acceptance of our offers. The consolidated balance sheet shows that the necessary sterling funds are available for the purpose, thanks to the pooling of resources which resulted from last year's merger.

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THE INVESTMENT TRUST CORPORATION

The seventy-third annual general meeting of The Investment Trust Corporation Limited was held on July 6th in London. The Right Honourable Lord Latymer (the chairman) presiding.

The following is an extract from his circulated statement:

The Accounts show that the upward trend in Gross Revenue has continued. The amount at £1,597,008 (including Double Taxation Refunds) shows an increase of £190,376 as compared with the previous year. The balance available for Ordinary Shareholders is £724,700 which represents earnings of approximately 33 per cent. We recommend that the dividend for the year on the Ordinary Shares be increased to 26 per cent. This compares with 24 per cent on a smaller capital for the previous year.

The valuation of the investments at £32,117,760 is satisfactory, being £7,410,257 greater than the previous year.

In many industries profit margins are falling and the recent increase in the rate of profits tax from 12½ per cent to 15 per cent must of necessity render increases in dividends from those British companies in which we have holdings less likely in the future. The increased charge which your company will itself have to meet in respect of unfranked income seems likely to be about £17,000. I do not think, therefore, that we should expect an increase in income during the current year comparable to the increases achieved in recent years, though perhaps some improvement will continue.

The report and accounts were unanimously adopted.

DUFF DEVELOPMENT COMPANY

The 30th ordinary general meeting of Duff Development Company, Limited, was held on July 7th in London, Mr John A. Lord (the chairman) presiding.

The following is an extract from his circulated statement:

From the Report and Accounts you will note that there was little change in the trading results from those of the previous year and I feel sure you will agree that they are equally satisfactory.

The increase in profit was in the main due to larger output, for £8,559 of the additional profit came from the increased poundage, the total output for the year 1960 of 5,137,591 lbs. being an all time record, and 290,326 lbs. larger than that for 1959.

I might add that it is confidently expected that our annual production will progressively increase from now onwards, not in any spectacular fashion, but consistently, as more of the post-war replanted areas and ultimately the new extensions come into tapping. In the current year (1961) the crop is estimated at 5,250,000 lbs. of which 2,186,440 lbs. have been harvested in the first five months ending May 31st.

Your Directors have authorised the total replanting of 341 acres of rubber in 1961 and work is already well in hand on clearing a further 480 acres of jungle at Kerilla Estate where trees for budding with the most modern clones will be planted out later this year.

The report was adopted and a dividend of 9 per cent approved.

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ALLAN KENNEDY & CO.

IMPROVED TRADE

The Annual General Meeting of Allan Kennedy & Co. Ltd. was held on July 13th at Stockton-on-Tees, Mr H. W. Hollands presided in the absence of Mr T. A. Kennedy, the chairman and joint managing director. The following are extracts from Mr Kennedy's circulated statement:

I would refer first of all to the points I made last year. These were the impact upon ourselves of the recession which occurred in industry generally some time ago and the position regarding supplies of mild steel flats. As I told you we had made only a slow start to the year. We did expect to improve later in the year when two large contracts we had on the order book were due to commence. These contracts were delayed and we did not start on them till the end of December. Trade in general has improved since that time also and we have entered the current year on a better note and we feel quietly optimistic that this improvement will be maintained.

THE STRAITS RUBBER COMPANY, LIMITED

CHAIRMAN'S ANNUAL REVIEW

The Annual General Meeting of The Straits Rubber Company, Limited will be held on August 4, 1961 in London.

The following are extracts from the Annual Review of the chairman, Mr A. P. Hamilton OBE, which has been circulated with the Directors' Report and Accounts for the year ended December 31, 1960:

The Report and Accounts now presented reflect a considerable change in the capital structure of our Company, arising out of the total acquisition in 1960 of The Sabrang Rubber Estate Limited and The Rubana Rubber Estates Limited, the latter being already a subsidiary of this Company.

During the current year we have also acquired as subsidiaries three more companies, Badenoch Rubber Estate Limited, Bagan Serai Rubber Estates Limited and Paloh Plantations Limited, and there will therefore be further changes in the accounts next year.

All five of these companies have for many years been members of the Oriental Estates Agency Group, of which our Company was the largest unit. Further reference to these acquisitions is made in the Directors' Report.

The Accounts of the Parent Company show a working profit, after taxation, of £225,571 as compared with £199,722 for 1959. This profit includes only a proportion of the income from subsidiaries since approximately one-half of the dividends from Sabrang and approximately one-quarter of those from Rubana are not available for distribution by the Parent Company as they are deemed to be pre-acquisition profits. Dividends totalling 25 per cent have been paid by our Company in respect of 1960, which is at the same rate as for 1959.

The year under review was again a very profitable one for Rubber Producing Companies, the average spot price for No. 1 Smoked Sheet at just over 2s. 8d. per pound being some 2d. per pound higher than during the previous year. This increase in price was however to

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Regarding supplies of steel we remained on quota for nearly all of the year; in March, however, all our outstanding orders were suddenly fulfilled.

The profit for the year was better than it looked like being due to the improvement in trade in the final quarter and your directors recommend a final dividend of 7 per cent, less tax, which makes 10 per cent, less tax, for the year.

During the year we purchased a further piece of land adjoining our present site and this should prove to be of great value to us in the near future. Since the end of March we have completed a further extension to our main factory and without the additional land purchased we would have had little space left for expansion.

We also, during the year, patented a new method of construction of a rectangular open mesh flooring and it is our intention to commence production initially in the new extension. If our hopes are justified it may be necessary to carry out further extensions to provide adequate manufacturing facilities. We expect to be in production in the very near future.

The report and accounts were adopted.

some extent offset by increased duty and wages both of which are related to the price of rubber.

REPLANTING

The majority of the areas replanted and new planted on all estates prior to 1957 are now in tapping or approaching maturity. During the five years 1957-61 approximately 9,000 acres will have been dealt with, which is at the rate of 5 per cent per annum of the total planted acreage. This means that we can look forward to some 1,800 acres of pedigree rubber reaching maturity annually over the next five years. We had intended to continue our replanting programme at approximately the same rate but owing to the recent fall in the price of rubber and taking into account the heavy cost of bringing our immature areas to maturity, we have decided to reduce our programme for 1962 to some 3 per cent of the total acreage, i.e., 1,100 acres.

PROSPECTS FOR THE CURRENT YEAR

The price of rubber (No. 1 RSS) during the first half of this year has averaged 2s. 1¼d. per pound, nearly 7d. per pound less than the average price for the whole of 1960, and slightly higher than the current price. Any marked increase from these levels would appear unlikely for the following reasons.

Firstly although production and consumption of natural rubber are expected to be in balance in 1961, any substantial advance over the present price would result in considerable quantities of natural rubber being released from stockpiles in certain countries, mainly in the USA.

The second factor is the recent advent of stereo rubbers which are said to possess those technical qualities in which, hitherto, natural rubber was held to be supreme. It is understood that these new synthetic rubbers can be produced at prices equivalent to the current selling price of natural but they are unlikely to become available in substantial quantities for some time to come.

Current prices are still profitable but from the above it seems inevitable that we must expect an appreciable reduction in our profits for 1961 even after taking into account the lower export duty and wages which will be payable as a result of the fall in the selling price for our crop.

SHEFFIELD TWIST DRILL AND STEEL CO. LTD.

EXPANSION OF EXPORT TRADE

The Fourteenth Annual General Meeting of The Sheffield Twist Drill and Steel Co. Ltd. was held on July 12th at Sheffield, Mr Alexander Dormer (chairman and joint managing director) presiding.

The following is an extract from his circulated statement:

Trading conditions, which showed an upward tendency in 1959, continued to improve in 1960. Your Company's turnover was the highest ever, but the profit margins are not as good as in the past due to an overall increase in costs. The net profit of the Group before taxation for the year 1960 was £698,139, an increase of £181,061 over the previous year.

Our exports, which were a record, showed an increase of no less than 47 per cent over the previous year. Your Company's products are highly esteemed in Europe and your Board look forward confidently to big increases in sales here if Britain becomes a member of the European Common Market. We also expect to increase our exports to all other countries throughout the world where free trade is recognised.

Sales for the first five months of 1961 show a further improvement over the corresponding months of the previous year and it is expected that 1961 will be another prosperous year for your Company.

The report and accounts were adopted.

THE BUDLA BETA TEA COMPANY

The 66th annual general meeting of The Budla Beta Tea Company, Limited, will be held on August 1st in London.

The following is an extract from the circulated statement of the chairman, Sir Charles Miles, OBE:

The profit for the year ended December 31, 1960, after charging Depreciation of £24,000, is £143,251, which compares with £92,476 for the year 1959.

In a year when many estates in Assam suffered from drought, your Company, fortunately, experienced good growing weather, and as a result there was a substantial increase in crop, the total yield being over 1,250 pounds per acre. Our teas sold well, and both in London and Calcutta the Company's final sale averages exceeded those of 1959. Sales Proceeds increased by over £113,000, but against this there was a rise of some £63,000 in upkeep expenditure, largely due to the extra crop harvested.

Your Board recommend a dividend of 20 per cent, less income tax.

With regard to the current year, our crop to the middle of June is 586,720 lbs., a decrease of 45,760 lbs. when compared with the same period last year. This shortfall can be attributed to hail damage. Every effort is being made to produce clean teas and reports on early manufacture are satisfactory, both in regard to quality and appearance.

Our programme of uprooting and replanting the older tea is making steady progress and where suitable land is available we are taking the opportunity of planting out on virgin soil.

E. V. INDUSTRIALS STEPS TO STRENGTHEN GROUP STRUCTURE

The sixty-second annual general meeting of E. V. Industrials Limited was held on July 12th in London, Sir Donald Banks, KCB, DSO, MC, TD, the Chairman, presiding.

The following is an extract from his circulated statement for the year 1960:

I accepted on December 1st of last year an invitation to join the board and was appointed chairman. Mr Michael Q. Walters also joined the board with me. In May of this year Major C. Frankland Moore, MIMechE, joined the board and was appointed deputy chairman.

After providing for taxation of £94,620 the Group's net profit for 1960 is £127,374 compared with £150,042 for the previous year. The main factors in the reduction in the aggregate profit were the increased charges for interest and a loss incurred by S. E. Opperman Limited.

Deducting the proportion of profit due to minority interests, the surplus available to be dealt with amounts to £117,795. Preference

BLUEBIRD INVESTMENTS LIMITED

The annual general meeting of Bluebird Investments Limited will be held on August 3rd in London.

The following are extracts from the circulated statement of the chairman, Mr Ralph C. Yablon, LL.B:

The profits for the year, before taxation, amounted to £645,006. Your directors recommend a final dividend of 25 per cent, maintaining the rate of the previous year at 40 per cent.

COMPANY MEETING REPORTS

dividend absorbs £11,637 and your directors propose a dividend of 15 per cent on the Ordinary shares of the Company, against 25 per cent last year. If this proposal is approved there will remain a balance of £44,232 to carry forward against £5,211 carried forward in the 1959 accounts.

FINANCIAL POSITION

Finances were seriously overstretched by the purchase of the Westminster Construction Company Limited and H. & C. Davis and Company Limited, for which purpose a Bank Loan of £500,000 was obtained. It was hoped that this could be repaid by the raising of additional permanent capital, but when this proved impracticable the existence of the Loan and the consequent interest charges hampered the activities of the whole Group. We are advised that the circumstances are still unpropitious for inviting subscription and cannot avoid the conclusion that they are likely to remain so until the attenuation of the financial structure is remedied.

After the fullest exploration, we consider that the best course in the interests of the share-

The Board proposes to increase the issued capital of your Company by a free scrip issue of one share for every four shares held on June 30, 1961.

Your Directors are pleased to be able to report that trading in the current year continues at a satisfactory level, and subject to unforeseen circumstances, it is expected that your Board will be able to recommend an increased dividend for the current year as compared with that of the past year.

Commenting on the Company's export trade, Mr Yablon said: Exports have improved particularly to Holland and Germany. In order to

THE ECONOMIST JULY 15, 1961

holders and of the Group as a whole is to strengthen the structure by the sale of one or more of the subsidiary companies. This course of action is being pursued energetically and if a successful sale is concluded we should be able to repay the £500,000 Bank Loan. Moreover, there will remain a limited balance of funds to meet some modest capital requirements of other member companies and to finance measures of development which we are so anxious to undertake. This proposed disposition of funds has the full support of the bank.

Although we should obtain some relief in interest charges, an appreciable sacrifice of net revenue would have to be faced and met. If, however, trading trends to date continue, and subject to there being no unforeseen adverse circumstances, we consider that the present level of Ordinary dividend can be maintained for 1961, although it is not your board's intention to declare an interim dividend.

As to your Group's future, time, effort and good fortune will all be needed before the full possibilities of these promising enterprises can be realised.

The report was adopted.

give some measure of our export achievement in relation to the Continental market, it is reliably estimated that your Company exports more to the Continent annually than any Continental manufacturer actually produces.

I believe that the prospects for our Company are just as favourable now as ever and that we can look forward confidently to the future.

Once again you will wish me to express your thanks to our Managing Director, Mr W. E. C. Knott, for his devotion to your Company's affairs and for the success which has attended those efforts and also to the staff and work-people.

THE ECONOMIST JULY 15, 1961

COMPANY AFFAIRS

Happy Camping

HOLIDAYS are now big business in this country and those getting high wages and three weeks holiday with pay are demanding more for their money than the bed and breakfast provided by the seaside boarding house. The gregarious have found the answer in the holiday camps. Their popularity, publicity and down-to-earth showmanship are associated with the name of Mr Billy Butlin. His early struggles are well known: he arrived in this country with very little money and progressed from a hoopla stall to a seaside amusement park before that most depressing of all sights, holidaymakers in the rain, gave birth in his mind to the idea of a holiday camp. He opened the first at Skegness in 1936 and the second at Clacton followed a year later. Now Butlin's runs seven as well as three large hotels.

About 600,000 people chose a Butlin holiday last year and at the annual meeting of the company held this week Mr Butlin was able to tell shareholders that this figure would be well exceeded this year. Bookings are up by about 15 per cent on 1960; this is due in part to the development of Butlin's newest camp at Bognor Regis, which will accommodate over 100,000 visitors this year compared with 29,000 in its first year of operation. Thus Butlin's now has accommodation for over 65,000 people a week at the camps scattered throughout Great Britain and the newly-acquired one in Southern Ireland. At the peak periods Butlins has to turn away many thousands of bookings each year and it is trying to encourage visitors to stagger their holidays, by improving amenities in the off-peak periods. This has already had the result of keeping the camps full for longer periods of time.

A large number of shareholders turned up at the meeting—a sign, Mr Butlin noted, that normally indicated that a company was doing badly. He was speaking from first hand experience for Butlin's has not always been booming. Largely as a result of disastrous ventures in the West Indies its profits slumped in the late forties and early fifties and the dividend was cut in terms of the present capital (after this week's scrip issue) from 25 per cent in 1947 to 5 per cent in 1952. It is a very different story today with turnover in 1960 rising from £7 million to over £8½ million and profits before tax from £1.2 million to £1.8 million. The dividend, again in terms of the doubled capital, has been raised from 25 to 40 per



cent and Mr Butlin is confident that profits will be higher this year. On the present dividend the 1s. shares at 10s. 6d. yield 3.8 per cent.

The rights issue left Butlin's at the end of 1960 with over £2 million in cash and short term loans so that it is well placed to finance further expansion. Once official approval has been obtained work can begin on a new camp at Minehead in Somerset. This should be opened by 1962. A new site is also being sought in the South Wales area. Clearly there is still ample room for further expansion if costs can be kept down sufficiently for a reasonable profit to be earned from prices which visitors are prepared to pay. Even on the present tariffs, a bill of £45 a week at the peak season for a couple with one child aged six and another aged three must be enough to deter a number of would be campers.

Mr Butlin estimates that his camps take half of all those who choose this kind of holiday. Pontin's is almost certainly the next biggest company in this field and it has been very actively taking over others, adding the Middleton Tower camp at Morecambe and Parkins camp in Jersey to its interests. This week it has sent out offers for Squires Gate camp in Blackpool and the Dolphin camp in Devon; the former offer carries with it the recommendations of the Squires' directors but the Dolphin directors, who claim to control a majority of the shares, have rejected a proposed one for one exchange into Pontin's shares. The Pontin's directors have, however, sent their offer directly to Dolphin shareholders. This is not the first offer they have made for Dolphin and Mr F. W. Pontin, the chairman, has pointed out to Dolphin shareholders that if an earlier offer made in 1958 had been accepted a holder of 4 Dolphin shares would now hold, assuming that the rights costing 28s. had been exercised, shares in Pontin's worth close to

£11. The Dolphin shares have no official quotation and have apparently recently changed hands at 7s. 6d.

Pontin's profits before tax in the year to end-May are estimated to have risen by 50 per cent to nearly £250,000. A further substantial advance is expected in the current year, for at the old camps alone bookings are up by 25 per cent despite price increases and improved results are expected from the new acquisitions. A dividend of 35 per cent has already been forecast on the capital as increased by last February's one for six rights issue so that the 2s. shares at 16s. 6d. yield 4½ per cent.

Increases in prices of up to £1 a week have also been made at Warner's Holiday Camps but the camps in this group also report record bookings. Last year turnover exceeded £1 million and over 100,000 people stayed at Warner's camps. Both these figures should be exceeded by good margins in 1961. The company's financial year ends in March but the accounts are usually presented early in October when the next season is usually over. Profits seem certain to show a further increase when they are announced later this year, though it is understood that the Sinah Warren camp on Hayling Island, where both the amenities and the price (17 guineas per week at the peak of the season compared with £12 in the other Warner camps) are both in the luxury class for holiday camps, again made a loss. It is apparently proving more successful this summer and is booked almost to capacity. A rise in Warner's dividend certainly seems to be discounted in the present low yield of 3½ per cent. Last year, the chairman, Mr E. H. S. Warner, said that the directors were considering further extensions but nothing apparently has yet been decided. Any moves in this direction would probably involve the raising of fresh capital for at the date of the last balance sheet there was a net overdraft of £260,000.

British Drug Houses

THE proposed deal between British Drug Houses and Mead Johnson of America has run into a lot of criticism. But time to organise this into an effective opposition is short, since the meeting to consider the proposals is to be held next Monday. In these circumstances, hints of a prospective bidder for the company if the present directors are replaced and the Mead Johnson plan defeated are not much help to shareholders who have to decide what action to take.

The claim that a "well known public company with wide experience in the pharmaceutical field" is prepared to make a bid on these conditions has come from Mr John Horn, an accountant who has been leading the opposition to the Mead Johnson deal. But shareholders cannot become very excited over an unspecified bidder and an undisclosed bid. They might indeed be more attracted to the latest document from

EDUCATION; BUSINESS AND PERSONAL

SURREY EDUCATION COMMITTEE KINGSTON TECHNICAL COLLEGE

DEPARTMENT OF COMMERCE,
LANGUAGES AND PROFESSIONAL
STUDIES

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(ECONOMICS) DEGREE
UNIVERSITY OF LONDON

Applications are invited for the course commencing September, 1961. Forms and full details can be obtained from the Principal, Kingston Technical College, Farnett Road, Kingston-upon-Thames, Surrey.

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for Examinations—B.Sc.(Econ.), Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write to-day for free prospectus and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street,
London, E.C.4. Established 1910.

STAFFORDSHIRE EDUCATION COMMITTEE THE STAFFORDSHIRE COLLEGE OF COMMERCE, WEDNESBURY

Principal: H. Hurman, B.Com. Telephone: WED. 1831-2.

As an introduction to a career in business the College conducts a One-Year Course of PRELIMINARY BUSINESS STUDIES for boys in the age group 16-18 years.

An admirable course for learning the principles of accounting and business organisation. Those with sons about to embark on a business career would be well advised to obtain further particulars of this course, which begins in September next, from the Registrar, Staffordshire College of Commerce, Wood Green, Wednesbury.

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.

RUSSIA TODAY. Her history, development and resources are explained in map form with supplementary notes in *Soviet Union in Maps*, 5s. net.—Obtain this 32-page brochure from Your Bookseller, George Philip & Son Ltd., 30-32 Fleet Street, E.C.4.

SECOND CHANCE. Has your purchase let you down? SHOPPER'S GUIDE (15s. per annum) offers a Complaints Service that can help you put things right.—Write Consumer Council, Orchard House, Orchard Street, W.1.

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AN ADMIRABLE CRICHTON! That man is a wizard at every household detail. Where he shines most is his care in keeping a good cellar of superb E.L. CID Sherry, the fine Amontillado we all prefer.

NORANDA MINES, LIMITED

DIVIDEND NOTICE

NOTICE is hereby given that an interim dividend of Fifty Cents (50c) per share, Canadian funds, has been declared by the Directors of NORANDA MINES, LIMITED, payable September 15, 1961, to Shareholders of record August 18, 1961.

By Order of the Board,
C. H. WINDELER,
Secretary.

Toronto, Ontario,
July 10, 1961.

APPOINTMENTS

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 work 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. 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.

For other appointments see page 299

THE UNIVERSITY OF CANTERBURY

CHRISTCHURCH, NEW ZEALAND
The growing Department of Economics requires additional staff, and a new LECTURESHIP or SENIOR LECTURESHIP has been created.

The salary range for a Lecturer is from £1,250 to £1,700 per annum and for a Senior Lecturer £1,750 to £2,000 per annum. Economists who are interested in this position are invited to write (air mail) to the Head of the Department before the end of July, 1961, giving some provisional information about their qualifications, special interests and other relevant facts.

Full details of the position and information regarding the University of Canterbury and its Department of Economics will then be sent to those whose applications would be welcomed.

G. G. TURBOTT,
Registrar,
P.O. Box 1471, Christchurch,
New Zealand.

School of Art, Watford Technical College, Hempstead Road,
Watford, Herts.

COURSE IN ADVERTISING COPYWRITING

It is proposed to run a two-term full-time course in advertising copywriting commencing in September next.

Full particulars are available on application to the Registrar.

Mr Geoffrey Eley, the chairman of British Drug Houses (this has some appearance of an election address rather than a circular to shareholders) though it provides little fresh information.

Mr Eley says that £3 million of the £5 million which would come from Mead Johnson would be needed by the end of 1962 and that the remaining £2 million would certainly be spent within the five year period. These are large sums and Mr Eley admits that at the time of the Fisons' bid for BDH shares he had said that no external help was needed to achieve expansion. But he continues: "That was eighteen months ago in a quickly changing world." The circular does not answer questions about how the money is to be spent and what profits may accrue. Mr Eley lists the general advantages he expects from the link with Mead Johnson: a faster rate of expansion; more extensive research and development facilities; and enhanced marketing prospects. But Mr Eley is entitled to emphasise that the directors have "not received any other offer or indeed any alternative proposal" and to describe Mr Horn's vague references to a possible bidder as "pie in the sky." Monday's meeting may be lively and many of the shareholders who, in the end, support the board will probably do so with reluctance that BDH affairs have not been better ordered.

Thomson Newspapers

LAST year was one of consolidation and reorganisation for Thomson Newspapers, which is to be known in future as the Thomson Organisation. It also produced bigger earnings, with gross profits rising by 32 per cent from £3,103,000 to £4,108,000, but profits in 1959 were adversely affected by the printing strike. The closing down of the *Sunday Graphic* and the *Empire News* late last year and a rationalisation of the group's interests in Manchester should have some effect on earnings this year.

Recent attempts by Mr Roy Thomson to add to his empire have not met with much success: Odhams finally went to the Daily Mirror group and Mr Thomson's bid for the *Belfast Telegraph* is still held up by legal difficulties. Mr Thomson is still thought to be anxious to add to his interests, and this week he has bought Odhams South Africa, but in the past his hands were tied because the company was virtually debarred from making an offer in the form of ordinary shares. Now the capital reorganisation scheme creates an ordinary capital which could be used for this purpose and it also increases the authorised share capital to £15½ million. For every ten preferred ordinary units of 5s. each held, shareholders are offered eleven 30 per cent cumulative non-voting preference shares of 5s. each and five ordinary voting shares of 5s. each. Thomson Scottish Investments holds all the 8 million of 5s. deferred ordinary shares and these are to be converted into 9.4 mil-

COMPANY AFFAIRS

lion of 5s. ordinary shares. The preferred ordinary stockholders receive a substantial gain in income from the new arrangements. Last year their dividend was 35 per cent. On the board's assumption of a 24 per cent ordinary dividend (covered twice by earnings), the total accruing to the original preferred ordinary shareholders will this year be 45 per cent. Although Mr Thomson says he does not contemplate at the moment any issue of shares to acquire new businesses he makes his ultimate ambitions clear enough: the reorganisation of the capital structure "will open the way for further great advancement of the company."

John Thompson

THE statement by the chairman, Mr Edward Thompson, reveals that while the John Thompson group has been hit hardest in nuclear power it has also found the going hard in its other activities. The earlier fall in orders is reflected in the fall in sales from £28½ million to £25 million. One casualty was the motor pressing company, which earned much reduced profits, while the output of the boiler division fell by almost £3 million. These two factors reduced gross trading profits from £1,332,000 in 1959 to £994,000 and, in addition, there were provisions for losses on the Berkeley power station contract and on the Australian contract. After these provisions, tax and depreciation, the group made a loss of £1,777,000, compared with a profit of £324,000 in 1959.

The residual loss on the Berkeley contract amounted to £1,687,000, but there are still possible losses of up to £850,000 to be bought into the accounts of the nuclear power company, which John Thompson owns jointly with AEL. In all, then, the nuclear contract could produce a loss of nearly £2 million. So far the group has found it possible to deal with the nuclear power losses as they arose and in this sense the group, as its commitments on the Dungeness nuclear station are comparatively small and have been more realistically costed, may have seen the worst. The losses on an Australian contract are also expected to be non-recurring. The chairman frankly admits that the unprofitable work undertaken has had a further effect in the nature of a classical opportunity cost; for John Thompson in pursuing the nuclear contracts, turned away other orders and had to lengthen its delivery dates. In all, he estimates, work which would have produced profits of between £1½ and £2 million was lost in this manner.

The final dividend was passed and the 5s. ordinary shares at 14s. 9d. yield only 1.7 per cent on the 5 per cent interim dividend. It is not clear how well the group will do in the current year. Orders now amount to nearly £38½ million, compared with £29½ million at the beginning of last year, and some of the recent orders have been at slightly better margins of profits. However, margins in the water tube boiler-making section remain depressed. Even so,

THE ECONOMIST JULY 15, 1961

the directors hope to resume the ordinary dividend payments with an interim in November.

London County Freehold

AT 31s. 6d., London County Freehold 10s. shares are some way below their earlier peak this year of 39s. 6d. They have experienced the sharp setback common to property shares and seem unlikely to stage much of a recovery until a firm decision about a rights issue has been made. It seems clear that such an issue will be needed soon. Some £3½ million was raised by a debenture issue last July, but bank advances secured on properties amounted to £1.3 million at the end of March and the chairman Mr T. J. Cullen expects another substantial increase in property assets this year. In 1960-61, they rose by £3½ million and as investment opportunities in suitable residential properties are still scarce the swing towards industrial and commercial properties has been accentuated. These now represent about 35 per cent of London County Freehold properties.

A highlight of the past financial year was the completion of Livingstone House in Salisbury, which is let largely to Rhodesian Selection Trust. The building was completed last November, so that this year will have the benefit of a full year's rent. In 1960-61, gross rents rose from £3,195,000 to £3,471,000, and at the end of March income was running at an annual rate of £3,615,000, excluding buildings under construction. Not surprisingly London County Freehold is not adding to its interests in Rhodesia, where it already owns properties worth £1½ million. It is now turning its attention to Australia, where it has purchased one building and is negotiating the purchase of two others. On the dividend as increased from 10.8 to 12.1 per cent, the shares yield 3.8 per cent. There is a prospect of a further increase in net income this year even though profits tax will take more and it is possible that within the next two years the dividend will be raised to 15 per cent. This would raise the yield to 4½ per cent.

Express Dairy

IN his annual statement to shareholders of Express Dairy Mr Walter A. Nell, the president, makes some interesting comments on the past history of Spiers and Pond, the company's new subsidiary. A hundred years ago, its founders catered for miners in Australia and from their profits they financed the tour of the first English cricket team to Australia in 1861. But, unfortunately, Mr Nell does not tell shareholders much about the current results of the company. What contribution it made to consolidated profits last year has still to be revealed, though Mr Nell confirms that profits before tax, which rose from £2.4 million to £2.9 million in the year to March 31st, included eighteen months' profits from Spiers and Pond. At the time of the merger,

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Spiers and Pond's pre-tax profits from its thirteen hotels, Chicken Inns and other restaurants were estimated at £400,000 for the year to September 30th last. This would suggest that Express Dairy's other interests added little, if anything, to the advance in profits.

The group's sales last year amounted to £70 million, double those in 1955. No less than 221 million gallons of milk were handled. The emphasis in the milk distribution side of the business is still on rationalisation through acquisition, the group having acquired new retail milk businesses in the Manchester area and in Scotland. Express Dairy has been a pioneer in supermarkets, operating 25 now with 12 more planned. Turnover and profits from the supermarkets are rising; though still a small part of the group's activities, they are, Mr Nell believes, becoming increasingly important.

Last year substantial sums were spent on modernisation and development, and in spite of the injection of £1.7 million from last year's rights issue and a cash flow of £2 million, a net overdraft of £831,000 appears at the end of March, with future capital commitments amounting to £1.3 million. The growth of the business has imposed some financial strain but investors are clearly expecting earnings to rise. At 14s. 10½d. the "A" shares yield 3½ per cent on a 10 per cent dividend.

George Cohen

A YEAR ago the George Cohen 600 Group announced a 20 per cent rise in its profits and when the rights issue was announced in September the directors said they expected profits in the year to March 31, 1961, to match those of the previous year. But in the event consolidated gross profits fell by nearly 11 per cent, from £1,573,000 to £1,401,000.

The group has interests in steel-founding and steel-stockholding, machine tools, scrap metal, constructional engineering and plant hire. How these have fared individually it is impossible at this stage to judge, but it is possible that the group has been affected by narrowing margins in the capital goods industries while the introduction of a shorter working week in the engineering industry may have added to its prime costs. The dividend is maintained, as forecast, at 13 per cent, and the 5s. ordinary shares at 11s. yield almost 6 per cent.

Consett Iron

CONSETT IRON is the odd man out among the leading steel producers, for it ends its financial year on April 2nd while the others draw up their accounts at the end of September. The yield on its £1 shares at 27s. of 7 per cent is higher than those of some other steel equities. This reflects the heavy capital commitments of the company as much as the uncertainties about future profits. In 1960-61 Consett achieved a record output of 979,000 ingot

COMPANY AFFAIRS

tons of steel and its sales rose in value from £29½ million to over £34½ million. There was only a slight increase in depreciation but both the tax and interest charges more than doubled, to £634,000 and £951,000 respectively, so that net profits rose by only 8½ per cent from £1,694,000 to £1,839,000.

The chairman, Lord Ridley, says that last year Consett was working to capacity for all but the last two months of the year, when the demand for slabs, blooms and billets fell. He emphasises the difficulty of predicting demand this year but expects the company to work a little below full capacity. But it may sell more plates than it did in 1960-61 and there is a revival in demand from the consumer goods and motor industries for Consett's other products. Higher fuel and labour costs, however, are squeezing margins and this may not be fully offset either by the recent increase in steel prices or by the full operation of the new plate mill.

The balance sheet reveals the extent of Consett's reliance on outside funds to pay for expansion; in 1960-61, net fixed assets rose by £5 million to £30½ million and loans from FCI rose from £6 million to £9 million. A bank overdraft of £1.8 million has also been utilised; though this is but a fraction of the overdraft facilities of £9 million available to Consett, repayments of the overdrafts and the FCI loan fall due in 1965. In all, capital commitments amount to £11 million and Consett's cash flow cannot be much more than £3 million. Not surprisingly, therefore the directors have acknowledged the need to conserve resources; but they have raised the dividend from 8½ to 9½ per cent.

Ruston and Hornsby

LAST August the chairman of Ruston and Hornsby, Mr. W. J. Ruston, reported a decided improvement in the trend of business. Shareholders must therefore have hoped that after seven lean years of declining profits this maker of diesel and turbine engines, locomotives and boilers would be able to report better trading results in the year to March 31st last. In fact, profits have again fallen, suggesting that the group has not benefited from the higher level of activity prevailing in the British engineering industry. Rising costs must be one reason for the fall of 12 per cent in trading profits from £1,367,000 to £1,205,000. The group's investment income, however, rose from £366,000 to £406,000: a year ago about 97 per cent of the group's investments were in Ruston-Bucyrus and it must therefore appear that this investment has once more added to its contribution to the group's income.

But the group's net profits fell by 21½ per cent from £626,000 to £491,000 to reduce the cover on the unchanged dividend of 9 per cent from 1.8 to 1.4 times. After the results the £1 ordinary shares lost 1s. to 25s., the lowest point so far this year, at which they yield over 7 per cent.

London Stock Exchange

FIRST DEALINGS :	June 26	July 10	uly 25
LAST DEALINGS :	July 7	July 21	Aug. 3
ACCOUNT DAY :	July 18	Aug. 1	Aug. 14

THE London Stock Market enjoyed a slight rally over the week to Wednesday. The rise began last Thursday and when jobbers marked up prices the new levels held. Bear closing helped to keep prices up and the amount of investment buying increased, particularly among the leading stocks. However, the new account opened quietly on Monday as the market was uncertain about the Chancellor's intentions in dealing with the economic situation. There was an improvement on Tuesday but on Wednesday buyers held off again in the present uncertain atmosphere. Selling was still very light and prices drifted lower. But over the week *The Economist* indicator gained 5.8 points to 373.8. On Thursday, prices fell sharply.

Gilt-edged stocks fell back slightly over the week. The amendment to the Trustee Investments Bill to give the Treasury power to permit 75 per cent investment in equities instead of 50 per cent brought fears of increased switching out of gilt-edged and added to the pressure of small selling. Several stocks fell to new low levels, including Funding 5½ per cent 1982-84 which lost ½ to 91½ xd. The irredeemables continued to fall, 3½ per cent War Loan losing ½ to 52½ and 2½ per cent Consols ¼ to 38½—both fractionally above their lowest points. Dominion and Corporation stocks also lost ground over the week.

Among bank shares, Barclays rebounded after being marked down on news of the prospective rights issue, and showed a net gain of 3s. to 79s. 9d. Insurance shares rose but there were falls among hire-purchase shares on the news that stiffer credit terms were likely in the near future: UDT lost 5s. to 167s. 6d. ICI was one of the leaders to benefit from the slightly firmer tone advancing 1s. to 67s. 4½d. and Marks and Spencer gained 1s. 6d. to 110s. 3d. There was no consistent movement among electrical shares though both AEI and EMI hit low points during the week and each closed at 37s. 9d. Steel shares made some gains though Colvilles lost 2s. to 56s. 6d. which is 1s. below the price of the coming rights issue. Among motor shares BMC gained 9d. to 14s. 9d. and rumours that it might bid for ACV following its withdrawal from the Borgward deal pushed the price of ACV shares up by 2s. 7½d. to 77s. 7½d.

Among textile shares, cottons fell back but Courtaulds gained 2s. 3d. to 36s. 9d. Unilever improved a little after the heavy falls of the previous week and gained 1s. to 134s. 3d. despite a fall on Wednesday. Oil shares were lower, Shell Transport losing 2s. to 121s. Kaffirs generally continued to fall, though Anglo-American, Union Corporation and Free State Geduld made small gains. Tin shares also lost ground and Tronoh were 5s. lower at 79s. 6d.

LONDON AND NEW

Prices, 1961		BRITISH FUNDS AND GUARANTEED STOCKS		Price, July 5, 1961	Price, July 12, 1961	Net Yield, July 12, 1961	Gross Yield, July 12, 1961	Prices, 1961		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, July 5, 1961	Price, July 12, 1961	Yield, July 12, 1961	Cover
High	Low							High	Low							
92 1/2	89 1/2	Savings Bonds 3% 1955-65		90 1/2	90 1/2	4 1/2	4 1/2	94 1/2	65 1/2	7 1/2	BANKS, DISCOUNT & HP		76 1/2	79 1/2	3 26	...
100 1/2	99 1/2	Conversion 4 1/2% 1952		99 1/2	99 1/2	4 1/2	4 1/2	100 1/2	74 1/2	16 1/2	Barclays		86 1/2	85 1/2	3 74	...
96 1/2	95 1/2	Exchequer 3% 1962-63		96 1/2	96 1/2	4 0 0	4 0 0	96 1/2	58 1/2	13 1/2	District		63 1/2	61 3/4	3 55 1/2	...
101 1/2	100 1/2	Treasury 5 1/2% 1962		100 1/2	100 1/2	4 1 0	4 1 0	101 1/2	67 1/2	19 1/2	Lloyds		73 1/2	71 1/2	3 30 1/2	...
93 1/2	92 1/2	Exchequer 2 1/2% 1963-64		93 1/2	92 1/2	3 1 2	3 1 2	93 1/2	67 1/2	19 1/2	Marinus		21 1/2	21 1/2	3 43	...
99 1/2	98 1/2	Conversion 4 1/2% 1963		98 1/2	98 1/2	3 1 2	3 1 2	99 1/2	67 1/2	19 1/2	Midland		73 1/2	71 1/2	3 30 1/2	...
98 1/2	96 1/2	Conversion 4 1/2% 1964		96 1/2	96 1/2	3 1 2	3 1 2	98 1/2	67 1/2	19 1/2	Nat. Provincial		76 1/2	75 1/2	3 38	...
101 1/2	98 1/2	Exchequer 5 1/2% 1966		98 1/2	98 1/2	3 1 2	3 1 2	101 1/2	67 1/2	19 1/2	Westminster 'B'		76 1/2	75 1/2	3 38	...
83 1/2	80 1/2	Funding 3% 1959-69		80 1/2	80 1/2	6 6 1/2	6 6 1/2	83 1/2	37 1/2	8 1/2	Australia & N.Z.		39 1/2	39 1/2	6 15	...
89 1/2	86 1/2	Funding 4% 1960-90		86 1/2	86 1/2	6 6 1/2	6 6 1/2	89 1/2	37 1/2	8 1/2	Bk. Lond. & S. Amer.		46 1/2	46 1/2	4 28	...
79 1/2	77 1/2	Savings Bonds 3% 1960-70		77 1/2	77 1/2	4 1 0	4 1 0	79 1/2	37 1/2	8 1/2	Bank of Montreal		27 1/2	27 1/2	5 33 1/2	...
84 1/2	82 1/2	Savings Bonds 2 1/2% 1964-67		82 1/2	82 1/2	4 1 0	4 1 0	84 1/2	37 1/2	8 1/2	Bank of New S. Wales		27 1/2	27 1/2	5 33 1/2	...
72 1/2	68 1/2	Savings Bonds 3% 1965-75		70 1/2	70 1/2	4 1 0	4 1 0	72 1/2	37 1/2	8 1/2	Barclays D.C.O.		35 1/2	35 1/2	5 67	...
83 1/2	81 1/2	Funding 3% 1966-68		81 1/2	81 1/2	5 0 2	5 0 2	83 1/2	37 1/2	8 1/2	Chartered		55 1/2	54 1/2	5 50 1/2	...
97 1/2	93 1/2	Victory 4% 1920-76		96 1/2	96 1/2	3 2 10	3 2 10	97 1/2	37 1/2	8 1/2	Hongkong & Shang.		17 1/2	17 1/2	4 11	...
85 1/2	83 1/2	Conversion 3 1/2% 1969		84 1/2	84 1/2	4 1 0	4 1 0	85 1/2	37 1/2	8 1/2	Nat. Com. Bk. Scot.		58 1/2	58 1/2	2 99	...
91 1/2	89 1/2	Conversion 5% 1971		90 1/2	90 1/2	4 1 0	4 1 0	91 1/2	37 1/2	8 1/2	Royal Bk. Canada		102 1/2	102 1/2	3 80	...
95 1/2	91 1/2	Conversion 5 1/2% 1974		91 1/2	91 1/2	4 1 0	4 1 0	95 1/2	37 1/2	8 1/2	Royal Bk. of Scotland		102 1/2	102 1/2	3 80	...
73 1/2	68 1/2	Treasury 3 1/2% 1977-80		69 1/2	69 1/2	4 1 0	4 1 0	73 1/2	37 1/2	8 1/2	Stand. Bk. S. Africa		35 1/2	35 1/2	8 57	...
72 1/2	67 1/2	Treasury 3 1/2% 1979-81		67 1/2	67 1/2	4 1 0	4 1 0	72 1/2	37 1/2	8 1/2	Hambros		135 1/2	130 1/2	3 46	...
71 1/2	66 1/2	Funding 5 1/2% 1982-84		66 1/2	66 1/2	4 1 0	4 1 0	71 1/2	37 1/2	8 1/2	Schroders		135 1/2	130 1/2	3 46	...
59 1/2	54 1/2	Redemption 3% 1986-89		54 1/2	54 1/2	4 1 0	4 1 0	59 1/2	37 1/2	8 1/2	Union Discount		135 1/2	130 1/2	3 46	...
88 1/2	87 1/2	Treasury 5% 1999-2004		87 1/2	87 1/2	4 1 0	4 1 0	88 1/2	37 1/2	8 1/2	Bowmaker		16 1/2	16 1/2	5 47	...
94 1/2	91 1/2	Treasury 5 1/2% 2008-12		91 1/2	91 1/2	4 1 0	4 1 0	94 1/2	37 1/2	8 1/2	Imperial Bank		17 1/2	17 1/2	5 47	...
65 1/2	58 1/2	Consols 4% after Feb. 1957		58 1/2	58 1/2	4 1 0	4 1 0	65 1/2	37 1/2	8 1/2	Mercantile Credit		15 1/2	15 1/2	4 13	...
59 1/2	52 1/2	War Loan 3 1/2% after Apr. 1952		52 1/2	52 1/2	4 1 0	4 1 0	59 1/2	37 1/2	8 1/2	United Domin. Tst.		172 1/2	167 1/2	3 16	...
59 1/2	52 1/2	Conv. 3 1/2% after Apr. 1961		52 1/2	52 1/2	4 1 0	4 1 0	59 1/2	37 1/2	8 1/2	BREWERY, Etc.		12 1/2	13	4 23 1/2	...
50 1/2	45 1/2	Treasury 5 1/2% after Apr. 1966		45 1/2	45 1/2	4 1 0	4 1 0	50 1/2	37 1/2	8 1/2	Bass M. & B.		12 1/2	13	4 23 1/2	...
44 1/2	38 1/2	Consols 2 1/2% after Apr. 1975		38 1/2	38 1/2	4 1 0	4 1 0	44 1/2	37 1/2	8 1/2	Distillers		12 1/2	13	4 23 1/2	...
43 1/2	38 1/2	Treasury 2 1/2% after Apr. 1975		38 1/2	38 1/2	4 1 0	4 1 0	43 1/2	37 1/2	8 1/2	Flowers		12 1/2	13	4 23 1/2	...
91 1/2	88 1/2	British Electric 4 1/2% 1967-69		88 1/2	88 1/2	4 1 0	4 1 0	91 1/2	37 1/2	8 1/2	Guinness		12 1/2	13	4 23 1/2	...
75 1/2	72 1/2	British Electric 3% 1968-73		72 1/2	72 1/2	4 1 0	4 1 0	75 1/2	37 1/2	8 1/2	Ind. Coope. T.A.		12 1/2	13	4 23 1/2	...
70 1/2	67 1/2	British Electric 3% 1974-77		67 1/2	67 1/2	4 1 0	4 1 0	70 1/2	37 1/2	8 1/2	Teacher (Distillers)		12 1/2	13	4 23 1/2	...
81 1/2	79 1/2	British Electric 4 1/2% 1974-79		79 1/2	79 1/2	4 1 0	4 1 0	81 1/2	37 1/2	8 1/2	Watney Mann		12 1/2	13	4 23 1/2	...
73 1/2	69 1/2	British Electric 3 1/2% 1976-79		69 1/2	69 1/2	4 1 0	4 1 0	73 1/2	37 1/2	8 1/2	Whitbread 'A'		122 1/2	122 1/2	4 41	...
84 1/2	81 1/2	British Gas 4% 1969-72		81 1/2	81 1/2	4 1 0	4 1 0	84 1/2	37 1/2	8 1/2	BUILDING, PAINT, Etc.		75 1/2	78 1/2	3 18	...
81 1/2	79 1/2	British Gas 3 1/2% 1969-71		79 1/2	79 1/2	4 1 0	4 1 0	81 1/2	37 1/2	8 1/2	Associated Portland		75 1/2	78 1/2	3 18	...
75 1/2	72 1/2	British Gas 3% 1990-95		72 1/2	72 1/2	4 1 0	4 1 0	75 1/2	37 1/2	8 1/2	British Plaster Bd.		22 1/2	22 1/2	3 98	...
80 1/2	76 1/2	British Transport 4% 1972-77		76 1/2	76 1/2	4 1 0	4 1 0	80 1/2	37 1/2	8 1/2	Richard Cosain		19 1/2	20 1/2	7 69	...
61 1/2	56 1/2	British Transport 3% 1978-88		56 1/2	56 1/2	4 1 0	4 1 0	61 1/2	37 1/2	8 1/2	Crittall Mfg.		9 1/2	9 1/2	7 69	...

NEW YORK PRICES AND INDICES

Prices, 1961		DOMINION AND CORPORATION STOCKS		Price, July 5, 1961	Price, July 12, 1961	Yield, July 12, 1961
High	Low					
82 1/2	78 1/2	Australia 3 1/2% 1965-69		78 1/2	78 1/2	6 13 1/2
101 1/2	97 1/2	Australia 6% 1974-76		97 1/2	97 1/2	6 7 1/2
101 1/2	97 1/2	New Zealand 6% 1976-80		97 1/2	97 1/2	6 8 1/2
80 1/2	71 1/2	Rhodesia and Nyasaland 6% 1978-81		71 1/2	71 1/2	8 19 1/2
81 1/2	75 1/2	South Africa 3 1/2% 1965-67		75 1/2	75 1/2	9 3 1/2
59 1/2	54 1/2	Southern Rhodesia 4 1/2% 1987-92		54 1/2	54 1/2	8 14 1/2
94 1/2	90 1/2	Agricultural Mortgage 5 1/2% 1980-85		90 1/2	90 1/2	6 5 1/2
89 1/2	84 1/2	Birmingham 4 1/2% 1967-70		84 1/2	84 1/2	6 11 1/2
92 1/2	88 1/2	Bristol 5% 1971-73		88 1/2	88 1/2	6 9 1/2
43 1/2	39 1/2	L.C.C. 3% 1976-79		39 1/2	39 1/2	6 17 1/2
89 1/2	84 1/2	L.C.C. 5% 1980-83		84 1/2	84 1/2	6 8 1/2
93 1/2	88 1/2	Middlesex 5 1/2% 1980		88 1/2	88 1/2	6 9 1/2

Standard and Poor's Indices (1941-43=100)

1961	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
June 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	3.91
July 5	69.43	2.90	32.38	4.99	58.92	3.28	89.85	3.90
" 12	68.97	2.92	31.91	5.07	59.63	3.24	89.54	3.93

425 Industrials: High, 71.25 (May 17). Low, 60.87 (Jan. 3).

* Ex dividend. † Tax free. ‡ Assumed average life 8 years. § Net redemption yield allow for tax at 7.5% in £. ¶ Ex flat yield. ** Ex rights. *** Ex all.
(a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 6d. per share. (e) To earliest date. (f) Ex flat yield. (g) Equivalent to 7.2 sterling.

YORK STOCKS

Prices, 1961		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, July 5, 1961	Price, July 12, 1961	Yield, July 12, 1961	Cover	Prices, 1961		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, July 5, 1961	Price, July 12, 1961	Yield, July 12, 1961	Cover
High	Low	%	%							High	Low	%	%						
FOOD & TOBACCO																			
34 1/2	18 1/2	21	10	Allied Suppliers	10 1/2	18 1/2	18 1/2	5 41	2 1/2	62 1/2	43 1/2	20	60	Assoc. British Picture	5 1/2	56 3/4	55 1/2	5 41	2 1/2
15 1/2	7 3/4	21	10	Assoc. British Foods	1 1/2	12 1/2	12 1/2	1 65	2 1/2	34 1/2	26 1/2	16	14	Television 'A'	5 1/2	29 1/2	29 1/2	8 40	1 1/2
74 1/2	55 1/2	4	8	Bovril	1 1/2	55 1/2	56 1/2	4 29	2 1/2	51 1/2	41 1/2	30	14	Beecham Group	5 1/2	49 3/4	50 1/2	5 40	1 1/2
15 1/2	12 1/2	14 1/2	12 1/2	Brooke Bond 'B'	5 1/2	14 1/2	13 1/2	4 35	2 1/2	54 1/2	42 1/2	6 1/2	3 1/2	British Match	5 1/2	45 3/4	44 1/2	4 49	2 1/2
19 1/2	13 1/2	5	10 1/2	International Tea	5 1/2	14 1/2	13 1/2	4 72	2 1/2	28 1/2	17 1/2	6 1/2	4	British Oxygen	5 1/2	20 1/2	22 1/2	2 42	2 1/2
107 1/2	74 1/2	5	10 1/2	J. Lyons 'A'	5 1/2	74 1/2	74 1/2	4 27	1 1/2	13 1/2	9 1/2	3	7	British Ropes	2 1/2	9 10 1/2	9 9	5 13	2 1/2
35 1/2	26 1/2	10 1/2	5	Ranks	10 1/2	28 3/4	27 1/2	5 05	2	70 1/2	55 1/2	7 1/2	15	De La Rue	10 1/2	55 1/2	55 1/2	4 09	2 1/2
14 1/2	10 1/2	9 1/2	7 1/2	Spillers	10 1/2	10 1/2	10 1/2	4 17	2 1/2	50 1/2	31 1/2	6	4	Gestetner 'A'	5 1/2	37 1/2	35 1/2	2 82	3 1/2
55 1/2	43 1/2	9	3	Tate & Lyle	5 1/2	44 1/2	44 1/2	5 42	2 1/2	73 1/2	54 1/2	11 1/2	14	Harrison & Cr. Deid.	10 1/2	54 1/2	50 1/2	6 00	2 1/2
20 1/2	16 3/4	9	5	Unigate	5 1/2	16 3/4	18 1/2	3 86	1 1/2	55 1/2	41 1/2	5	40	Hoover 'A'	5 1/2	41 1/2	41 1/2	5 42	2 1/2
73 1/2	62 1/2	12 1/2	15 1/2	Brit. Amer. Tobac.	10 1/2	64 1/2	64 1/2	4 44	2 1/2	28 1/2	23 1/2	5	12 1/2	Ilford	5 1/2	26 3/4	26 1/2	3 37	2
51 1/2	40 1/2	5	14	Gallaher	10 1/2	41 1/2	42 1/2	4 72	2	103 1/2	56 3/4	7 1/2	4	I.C.T.	10 1/2	93 3/4	93 3/4	2 40	2 1/2
71 1/2	65 3/4	8 1/2	14	Imperial Tobacco	10 1/2	65 3/4	70 3/4	6 41	1 1/2	78 1/2	60 1/2	9 1/2	12 1/2	National Canning	10 1/2	66 3/4	65 1/2	3 85	2 1/2
INSURANCE																			
15 1/2	11 1/2	150	155	Britannic	5 1/2	13 1/2	13	3 30	...	37 1/2	27 1/2	10	6	Powerful Duffryn	10 1/2	32 1/2	31 1/2	5 12	2 1/2
86 3/4	61 3/4	20	25	Commercial Union	5 1/2	65 1/2	69 3/4	3 25	...	30 3/4	22 1/2	15	5	Rank Organisation	5 1/2	28 1/2	27 1/2	9 05	2 1/2
176 1/2	177 1/2	141 1/2	141 1/2	Equity & Law Life	8 1/2	152 1/2	152 1/2	1 97	...	43 3/4	32 10 1/2	7 1/2	16 1/2	Schwepps	5 1/2	38 1/2	38 1/2	3 10	1 1/2
60 1/2	42 7/2	35	40	General Accident	5 1/2	47 1/2	50	2 67 1/2	...	29 1/2	22 1/2	20	25	Sears 'A'	5 1/2	33 1/2	33 1/2	3 73	2 1/2
39 1/2	23 1/2	80	110	Legal & General	5 1/2	32 1/2	33 1/2	1 41	...	78 1/2	55 1/2	12	4	Thomas Tilling	4 1/2	25 1/2	25 1/2	6 14	2
146 1/2	100 1/2	8 1/2	11 1/2	Northern & Empl.	5 1/2	126 1/2	128 1/2	3 12	...	166 1/2	133 1/2	9 1/2	15 1/2	Turner & Newall	5 1/2	61 1/2	62 1/2	3 84	2 1/2
272 1/2	156 3/4	120 1/2	170 1/2	Pearl	5 1/2	220 1/2	225 1/2	3 00	...	22 1/2	16 1/2	5	10	Unilever	5 1/2	133 1/2	134 1/2	3 66	3 1/2
182 1/2	140 1/2	50	50	Prudential 'A'	4 1/2	158 1/2	161 1/2	3 10	...	42 1/2	31 1/2	14 1/2	10 1/2	Radio R.N.V.	5 1/2	17 1/2	17 1/2	4 35	3 1/2
129 3/4	104 1/2	7 1/2	11 1/2	Royal	5 1/2	104 1/2	104 1/2	3 50	...	...	...	...	...	United Glass	5 1/2	31 3/4	31 3/4	7 71	1 1/2
MOTORS & AIRCRAFT																			
18 10 1/2	14 1/2	12 1/2	7 1/2	British Motor	5 1/2	14 1/2	14 1/2	6 78	2 1/2	46 3/4	36 1/2	6 1/2	8	Brit. & Com'wealth	10 1/2	36 1/2	36 1/2	5 48	2 1/2
86 3/4	66 3/4	20	20	Jaguar Cars 'A'	5 1/2	72 10 1/2	73 11 1/2	1 37	7 1/2	20 1/2	15 11 1/2	8	6	Cunard	10 1/2	15 3/4	15 3/4	7 87	1 1/2
48 1/2	41 10 1/2	2 1/2	8 1/2	Rolls-Royce	5 1/2	44 1/2	45 1/2	4 84	2 1/2	24 1/2	20 1/2	7	7	France Fenwick	10 1/2	22 1/2	22 1/2	6 36	1 1/2
88 1/2	73 1/2	12	12	Rotos Motors 'A'	4 1/2	73 1/2	73 1/2	6 56	5 1/2	50 1/2	39 1/2	17	10	Furness Withy	10 1/2	40 1/2	39 1/2	5 06	2 1/2
88 1/2	73 1/2	12	12	A.C.V.	5 1/2	75 1/2	78 1/2	4 10 1/2	2 1/2	15 1/2	11 1/2	3	8	London & Overseas	5 1/2	11 1/2	11 1/2	7 87	1 1/2
99 10 1/2	79 1/2	15	15	Leyland Motors	5 1/2	90 1/2	93 1/2	4 28	...	48 1/2	37 1/2	3	8	O & D. Odel	5 1/2	38 1/2	38 1/2	6 87	1 1/2
18 1/2	14 1/2	3 1/2	9	Bristol Aeroplane	10 1/2	16 1/2	16 1/2	7 63	2 1/2	17 1/2	12 1/2	2 1/2	5	Readson Smith	10 1/2	12 1/2	12 1/2	2 00	...
33 3/4	28 11 1/2	10	5	Hawker Siddeley	10 1/2	28 1/2	29 1/2	7 19 1/2	1 1/2	25 1/2	14 1/2	8	5	Royal Mail	10 1/2	15 1/2	14 1/2	6 90	...
41 3/4	33 10 1/2	15 1/2	14	Dowty Group	10 1/2	34 1/2	33 10 1/2	5 97	2	...	...	...	...	...	...	...	...	...	...
28 10 1/2	21 1/2	3 1/2	12 1/2	Dunlop Rubber	10 1/2	57 1/2	57 1/2	4 80	3	81 3/4	55 3/4	6	4	Colvilles	10 1/2	58 1/2	56 1/2	5 66	4 1/2
72 1/2	57 3/4	11 1/2	21 1/2	Joseph Lucas	5 1/2	21 1/2	21 1/2	6 98	1 1/2	43 7 1/2	29 11 1/2	6 1/2	3 1/2	Dorman Long	10 1/2	29 1/2	29 1/2	6 81	2 1/2
31 3/4	20 7 1/2	9	15	Pressed Steel	5 1/2	31 3/4	31 3/4	3 90	3	49 10 1/2	33 9 1/2	7 1/2	3 1/2	Lancashire Steel	10 1/2	35 1/2	36 1/2	6 07	3 1/2
46 3/4	36 1/2	10	15	Triplex Holdings	10 1/2	39 10 1/2	38 1/2	3 90	3	42 1/2	28 1/2	8	9	South Durham	10 1/2	28 1/2	29 1/2	8 07	2 1/2
MINES																			
168 1/2	110 1/2	40	50	Anglo-American	10 1/2	110 1/2	112 1/2	8 00	1 1/2	47 1/2	36 1/2	15	5	Steel Co. of Wales	10 1/2	36 1/2	36 1/2	6 29	2 1/2
67 3/4	43 1/2	18 1/2	6 1/2	Consolid. Gold Fields	10 1/2	44 1/2	45 1/2	10 99	2	57 1/2	40 10 1/2	15	5	Stewarts & Lloyds	10 1/2	43 1/2	43 1/2	9 96	3 1/2
108 1/2	75 1/2	15	20	General Mining	10 1/2	75 1/2	75 1/2	9 33	2	68 7 1/2	48 1/2	9	6	John Summers	10 1/2	48 1/2	50 1/2	6 00	2 1/2
26 1/2	15 1/2	40	40	Union Corporation	2 1/2	43 3/4	43 3/4	9 20	3	69 6	48 1/2	12	6	United Steel	10 1/2	49 1/2	50 10 1/2	6 13	3
125 1/2	76 3/4	100	70	Daggafontein	5 1/2	15 1/2	15 1/2	25 81	1 1/2	63 1/2	46 1/2	8 1/2	6 1/2	Whitehead	10 1/2	48 1/2	48 1/2	6 15	3 1/2
54 1/2	37 1/2	25	25	Free State Geduld	5 1/2	76 3/4	77 1/2	10 97	2	42 7 1/2	33 11 1/2	5	10	English Sewing Cotton	10 1/2	33 11 1/2	33 11 1/2	7 49	1 1/2
64 1/2	41 10 1/2	60	60	Hartebeestfontein	10 1/2	41 1/2	42 11 1/2	12 12	1 1/2	42 1/2	25 11 1/2	5	10	Fine Spinners	10 1/2	25 11 1/2	26 1/2	11 34	2 1/2
157 1/2	101 3/4	110	90	President Brand	5 1/2	106 10 1/2	108 1/2	9 20	1 1/2	70 1/2	43 3/4	17 1/2	6	Lancashire Cotton	10 1/2	54 1/2	53 3/4	9 39	1 1/2
73 1/2	55 1/2	13 1/2	36 1/2	Western Holdings	5 1/2	19 1/2	19 1/2	8 1/2	...	74 1/2	34 1/2	4 1/2	5 1/2	Courtaulds	10 1/2	34 1/2	36 1/2	5 44	1 1/2
65 1/2	51 3/4	60	20	Winkelhaak	10 1/2	51 3/4	51 3/4	12 20	2	13 1/2	9 7 1/2	14	6	Illingworth Morris	4 1/2	10 1/2	9 7 1/2	8 31	1 1/2
30 1/2	8 1/2	12 1/2	41 1/2	Rhod. Anglo-Amer.	10 1/2	61 1/2	61 1/2	15 46 1/2	2	74 1/2	65 1/2	13	8	West Riding Worsted	10 1/2	67 3/4	65 1/2	6 39	2 1/2
6 1/2	4 10 1/2	10 1/2	4 1/2	Road. Selection Tst.	5 1/2	9 1/2	9 1/2	14 38 1/2	1 1/2	37 3/4	29 1/2	7 1/2	6	Woolcombers	10 1/2	30 1/2	29 1/2	6 78	1 1/2
110 1/2	64 1/2	22 1/2	15	Rhoad Antelope	5 1/2	57 1/2	57 1/2	17 05	1 1/2	20 7 1/2	15 1/2	3	6	Bradford Dyers	10 1/2	15 1/2	16 10 1/2	7 11	2
81 1/2	64 1/2	13 1/2	10 1/2	Tanganyika Cons.	10 1/2	67 1/2	66 3/4	10 14	1 1/2	16 1/2	11 1/2	13 1/2	6	Calico Printers	10 1/2	11 1/2	12 1/2	8 08	3 1/2
159 1/2	110 1/2	100	150	Consolidated Zinc	5 1/2	110 1/2	112 1/2	5 10 1/2	1 1/2	35 1/2	28 11 1/2	7 1/2	10	Coats, Patons & B.	10 1/2	41 10 1/2	41 10 1/2	5 97 1/2	2 1/2
152 1/2	104 1/2	71 1/2	51 1/2	De Beers Deft. Reg.	5 1/2	116 10 1/2	123 1/2	6 04	1 1/2	13 7 1/2	10 7 1/2	3	10	Jute Industries	10 1/2	10 7 1/2	10 7 1/2	12 24	3 1/2
22 1/2	12 10 1/2	27 1/2	27 1/2	Internat. Nickel	n.p.v.	149 1/2	150	1 80	...	35 3/4	28 11 1/2	7 1/2	10	Tootal	10 1/2	29 7 1/2	30 11 1/2	6 64	1 1/2
45 1/2	30 1/2	20	27 1/2	London Tin	4 1/2	19 1/2	20 1/2	6 87 1/2	1 1/2	...	...	...	...	...	...	...	...	...	...
88 1/2	35 1/2	62 1/2	70	Rio Tinto	10 1/2	35 1/2	35 1/2	7 72	1 1/2	70 1/2	52 1/2	12 1/2	25	City Land Securities	10 1/2	32 1/2	30 1/2	1 98	1 1/2
OIL																			
61 1/2	46 1/2	13 1/2	18 1/2	British Petroleum	10 1/2	47 3/4	47 3/4	8 06	2 1/2	39 1/2	26 1/2	10 1/2	10 1/2	London City. Freehold	10 1/2	30 1/2	31 1/2	3 81	1 1/2
49 1/2	36 3/4	12 1/2	16 1/2	Burmah Oil	10 1/2	37 3/4	37 3/4	8 11	1 1/2	70 1/2	52 1/2	12 1/2	25	Alliance Trust	5 1/2	57 1/2	58 1/2	3 23	1 1/2
52 1/2	39 1/2	6 1/4	13 1/2	Castroil	10 1/2	40 1/2	39 1/2	5 03	2 1/2	20 1/2	12 1/2	10	10	B.E.T. 'A' Deft.	5 1/2	47 1/2	49 1/2	5 05	1 1/2
151 1/2	109 1/2	10 23 1/2	13 64 1/2	Royal Dutch	20 1/2	112 1/2	112 1/2	3 83	2 1/2	65 1/2	55 1/2	20	23 1/2	Cable & Wireless	5 1/2	56 1/2	55 1/2	2 90	1 1/2
139 7 1/2	103 1/2	18 1/2	12 1/2	Shell Transport	10 1/2	123 1/2	123 1/2	5 6 1/2	3	10 1/2	7 1/2	14 08 1/2	18 08 1/2	City Centre Props.	5 1/2	56 1/2	55 1/2	2 73	1 1/2
41 3/4	27 1/2	...	...	Ultramar	10 1/2	31 1/2	28 1/2	...	...	36 1/2	23 1/2	4	4	City Land Prop. Exp.	10 1/2				

Industrial Profits and Assets

The tables below continue the analysis of company balance sheets and profit and loss accounts which was introduced in *The Economist* of January 22, 1949; the figures are discussed on an earlier page in this issue.

Comparative analysis of 892 profit and loss accounts published April - June, 1961 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(15)		(47)		(42)		(32)		(4)		(73)		(122)		(16)	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit.....	14,700	16,551	17,271	20,158	198,780	195,410	38,219	45,048	13,105	15,985	49,296	51,690	139,501	155,411	10,450	12,340
Income from investments.....	623	445	228	314	3,236	4,129	615	706	63	61	1,439	1,797	4,865	4,543	354	395
Other current income.....	366	360	584	364	4,704	2,691	468	246	22	67	1,128	630	38	12	517	160
Non-recurring credits.....	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total Income.....	15,689	17,356	18,084	20,836	206,720	202,230	39,316	46,014	13,190	16,113	51,863	54,117	148,250	165,181	11,321	12,895
Depreciation.....	1,752	1,995	2,894	3,227	36,515	40,107	2,884	3,214	1,088	1,285	11,480	12,722	27,996	30,073	1,598	1,950
Income tax.....	4,746	5,304	5,139	6,014	73,331	71,375	13,054	15,093	3,929	5,045	14,401	13,885	38,960	45,705	3,289	3,806
Profits tax.....	1,071	1,474	1,231	1,725	3,582	4,511	3,357	4,781	979	1,462	2,841	3,503	8,621	11,068	806	1,065
Directors' emoluments.....	512	486	1,168	1,228	2,236	2,305	1,082	1,144	331	322	2,094	2,216	4,413	4,735	509	537
Administrative charges.....	90	58	103	110	443	555	350	362	65	147	281	376	504	783	10	14
Contingencies, provisions, etc.....	81	97	414	284	751	801	179	143	80	476	270	8,461	6,100	63	63	47
Pensions.....	123	78	123	153	505	495	286	332	...	175	459	343	470	523	115	130
Minority interests.....	38	37	49	46	3,010	2,988	205	166	97	91	587	611	1,779	2,265	...	5
Loan interest.....	1,055	1,197	204	210	2,412	2,672	703	823	1,338	1,340	605	765	3,388	3,558	60	67
Preference dividends.....	374	386	254	258	4,792	4,905	441	497	244	245	529	575	1,660	1,692	86	95
Profits retained by subsidiaries.....	760	660	1,428	1,617	28,696	19,318	1,686	2,618	8	331	3,950	4,601	7,214	10,389	299	922
Ordinary dividends.....	2,815	3,150	2,591	3,126	23,053	24,412	9,176	10,920	2,681	3,217	6,376	7,061	21,291	25,930	1,676	1,965
Reserves (parent company).....	2,079	2,275	2,466	2,567	5,510	6,520	5,270	5,226	2,710	7,696	7,123	20,140	22,454	2,444	1,774	1,965
Brought in (parent company).....	3,102	3,295	3,428	3,448	66,883	88,767	5,674	6,062	3,453	3,577	8,904	8,992	28,498	31,851	2,793	3,159
Carried forward (parent company).....	3,295	3,454	3,448	3,719	88,767	110,033	6,062	6,713	3,577	3,320	8,992	9,058	31,851	31,757	3,159	3,677

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper & Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(4)		(32)		(31)		(23)		(41)		(159)		(20)		(16)	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit.....	5,771	6,089	153,753	174,421	34,450	35,933	49,043	48,247	67,980	78,044	113,356	120,082	25,699	25,652	6,669	8,094
Income from investments.....	1,042	1,110	6,287	8,826	1,940	2,039	1,038	886	4,737	5,385	4,216	5,250	3,172	3,157	118	132
Other current income.....	315	56	2,014	845	1,813	1,804	234	327	5	1,388	2,192	2,165	1,135	1,123	222	134
Non-recurring credits.....	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Total Income.....	7,128	7,255	162,057	184,095	38,203	39,776	50,413	49,583	73,453	84,817	119,779	127,514	30,006	30,932	7,009	8,360
Depreciation.....	2,101	2,260	38,683	43,339	6,692	7,486	13,770	14,583	13,687	16,439	25,026	27,659	16,877	16,391	1,755	1,974
Income tax.....	1,506	1,325	37,061	41,951	9,790	9,957	12,089	10,310	19,418	22,338	33,718	35,635	3,399	3,228	1,802	2,006
Profits tax.....	263	325	7,280	11,704	2,216	2,589	3,588	3,609	4,056	5,645	6,866	8,457	702	861	413	537
Directors' emoluments.....	271	278	1,861	1,986	1,084	1,116	971	902	2,075	2,205	4,576	4,767	621	651	350	392
Administrative charges.....	26	34	229	317	76	87	185	58	368	312	753	1,024	284	548	14	46
Contingencies, provisions, etc.....	21	150	9,304	9,516	335	326	1,431	712	254	509	835	893	217	182	15	46
Pensions.....	105	---	8,634	9,539	1,110	1,103	1,440	1,629	1,598	1,466	667	1,025	---	---	13	15
Minority interests.....	Dr. 69	18	2,603	2,625	401	538	36	24	2,080	2,137	2,111	1,971	152	186	117	95
Loan interest.....	351	502	5,165	4,835	650	615	1,710	1,596	3,437	4,094	2,245	2,507	572	735	130	187
Preference dividends.....	112	112	1,538	1,527	251	283	398	416	1,049	1,120	1,830	1,817	288	288	117	123
Profits retained by subsidiaries.....	356	644	6,620	7,234	2,873	2,362	1,154	873	5,445	5,574	9,754	9,517	2,139	3,391	226	380
Ordinary dividends.....	1,291	1,117	23,198	27,115	6,423	6,610	5,984	7,685	11,792	14,605	17,622	19,348	3,585	3,190	1,152	1,333
Reserves (parent company).....	694	528	6,990	8,979	5,814	6,232	3,433	3,767	6,230	6,785	11,383	11,483	611	841	770	935
Brought in (parent company).....	982	1,082	36,656	49,547	8,461	8,949	15,914	20,138	9,607	11,571	23,619	26,012	7,130	7,689	1,242	1,377
Carried forward (parent company).....	1,082	1,044	49,547	62,975	8,949	9,421	20,138	23,557	11,571	13,159	26,012	27,423	7,689	8,129	1,377	1,615

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS			
	No. of Companies		(9)		(22)		(29)		(14)		(47)		(38)		(56)		892 Companies	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit.....	28,649	26,988	6,465	5,985	7,905	8,212	194,800	202,388	8,597	10,257	5,702	5,333	36,053	39,775	1,226,214	1,308,098		
Income from investments.....	3,322	4,135	168	219	607	663	48,941	56,089	625	846	619	682	1,236	1,438	89,491	103,240		
Other current income.....	6	5	3	...	...	...	...	...	40	137	70	28	6	454	888	990		
Non-recurring credits.....	311	45	133	136	235	359	874	71	379	283	280	660	1,179	1,762	23,546	21,753		
Total Income.....	32,288	31,173	6,769	6,340	8,747	9,234	244,655	258,685	9,648	11,456	6,629	6,681	38,922	43,430	1,340,139	1,434,073		
Depreciation.....	7,907	9,096	850	1,045	2,098	2,136	42,306	41,235	611	810	767	762	5,698	6,388	265,035	286,109		
Income tax.....	8,816	7,721	1,973	1,676	1,958	2,001	66,461	75,189	3,343	4,039	2,935	2,991	9,818	10,513	370,936	381,176		
Profits tax.....	1,435	1,753	470	546	424	584	13,995	19,616	52	96	97	88	1,636	2,176	65,981	88,176		
Directors' emoluments.....	526	512	597	609	599	621	992	1,044	140	138	110	109	1,117	1,285	28,235	29,588		
Administrative charges.....	80	86	24	83	100	85	1,305	1,525	208	242	88	90	329	431	5,915	7,317		
Contingencies, provisions, etc.....	19	23	30	24	95	237	4,385	1,526	445	508	84	58	827	433	28,802	22,619		
Pensions.....	...	...	16	16	96	78	1,356	1,193	...	...	111	292	1,154	1,222	18,381	19,803		
Minority interests.....	652	645	9	18	62	51	Dr. 211	Dr. 115	60	25	...	...	73	206	13,841	14,633		
Loan interest.....	323	428	41	45	210	210	5,217	5,316	17	8	...	24	2,703	3,554	32,561	35,208		
Preference dividends.....	674	675	121	113	276	277	1,425	1,415	28	118	118	98	948	977	17,555	17,940		
Profits retained by subsidiaries.....	1,506	2,467	401	402	462	483	6,107	5,807	309	751	69	87	2,026	2,013	83,488	82,446		
Ordinary dividends.....	4,446	5,334	930	1,025	1,236	1,474	59,000	61,022	3,403	3,919	1,422	1,394	7,032	8,178	218,175	243,130		
Reserves (parent company).....	5,253	2,332	620	477	661	910	40,599	41,376	987	981	733	1,017	4,054	4,246	136,916	141,588		
Brought in (parent company).....	783	1,434	1,769	2,456	2,353	2,823	15,808	17,526	1,044	1,089	1,689	1,759	6,880	8,387	256,912	310,908		
Carried forward (parent company).....	1,434	1,535	2,456	2,717	2,823	2,910	17,526	20,062	1,089	1,000	1,759	1,410	8,387	10,195	310,990	358,888		

* This group includes canals and docks, entertainment, finance and land, hotels and restaurants and warehousing.

Comparative analysis of 892 balance sheets published April - June, 1961 (£'000)

Industry	Breweries and Distilleries (15)		Clothing and Footwear (47)		Food and Confectionery (42)		Shops and Stores (32)		Tobacco (4)		Building (73)		Engineering (122)		Iron and Steel (16)	
No. of Companies																
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Fixed assets	82,472	90,163	51,926	59,799	627,998	713,587	128,061	143,385	17,257	20,190	189,001	206,428	499,123	540,322	31,443	37,738
Trade investments	6,478	5,251	457	248	21,286	25,488	3,538	4,177	229	264	9,113	11,048	36,364	50,835	1,200	1,114
Stocks	21,200	23,721	31,419	36,529	348,745	374,098	37,431	41,399	66,433	75,137	69,521	87,741	282,583	331,304	12,231	18,351
Debtors	15,699	18,063	12,490	15,406	186,358	212,944	32,700	34,506	30,736	35,934	69,161	84,634	234,915	269,563	12,249	14,568
Net balances due to parent company	3,387	4,642	707	349	22,047	31,569	663	689	...	...	3,667	3,751	2,620	1,985	182	281
Gilt-edged	5,458	4,533	12,506	12,506	115,231	86,736	18,498	22,124	914	949	37,076	29,557	83,004	71,072	7,320	6,052
Other marketable investments	813	819	396	335	3,079	2,094	408	1,393	...	...	4,996	5,798	10,312	9,791	1,499	761
Intangible assets	813	1,429	1,592	2,198	25,246	21,886	1,210	1,679	2,646	2,836	2,667	2,956	2,121	7,233	1,025	2,573
Total Assets	136,320	148,621	111,804	127,564	1,350,359	1,468,859	222,546	249,352	118,215	135,310	385,315	432,083	1,155,335	1,287,153	67,243	81,500
Bank overdrafts and loans	3,485	4,228	3,991	4,806	40,463	49,032	6,126	5,972	19,449	17,328	14,842	25,051	19,359	41,079	188	665
Reserve for future income tax	4,206	4,793	5,184	6,073	58,019	60,054	13,096	15,292	4,180	5,667	12,238	14,362	46,392	53,996	3,456	3,954
Depreciation	12,059	13,288	22,844	26,069	217,308	242,165	13,701	15,742	4,510	5,269	70,332	68,275	186,263	202,698	13,757	16,092
Capital reserves	7,190	10,002	4,400	9,442	37,167	31,766	32,327	37,345	2,443	9,096	39,891	49,545	93,722	112,921	2,973	5,006
Other provisions	1,297	1,330	656	386	2,580	12,646	394	873	633	760	5,102	4,734	10,359	12,258	418	599
Creditors	12,170	14,870	9,376	10,603	147,644	163,049	21,223	22,800	9,026	10,079	57,203	70,880	125,679	141,148	7,473	10,713
Other current liabilities	7,932	8,928	6,543	8,115	76,419	83,739	17,459	19,502	6,772	8,455	19,368	19,054	61,784	62,934	3,292	3,783
Revenue reserves and carried forward	25,658	27,428	22,956	23,322	392,327	426,606	37,834	45,929	15,379	18,901	60,356	65,646	233,037	256,858	16,159	18,997
Net balances due to subsidiaries	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Minority interests	1,041	1,005	1,430	1,403	32,885	32,116	4,212	2,390	2,480	2,433	9,946	7,447	25,318	29,388	8	...
Loan capital	27,624	26,764	3,783	3,821	57,339	64,244	15,907	18,381	24,103	24,076	15,913	19,603	54,214	62,408	1,231	1,392
Preference capital	11,449	11,578	6,668	6,565	104,656	109,019	10,886	12,269	7,000	7,000	14,394	14,470	43,597	44,166	2,565	2,715
Ordinary capital	22,209	24,402	23,948	26,977	183,627	194,398	49,856	52,257	22,371	26,246	66,225	73,016	234,213	257,526	15,723	17,773
Total Liabilities	136,320	148,621	111,804	127,564	1,350,359	1,468,859	222,546	249,352	118,215	135,310	385,315	432,083	1,155,335	1,287,153	67,243	81,500
Year's Free Scrip Issues	589	1,570	2,944	2,000	19,583	8,843	6,917	1,177	6,875	200	7,347	4,478	15,643	10,777	1,417	502

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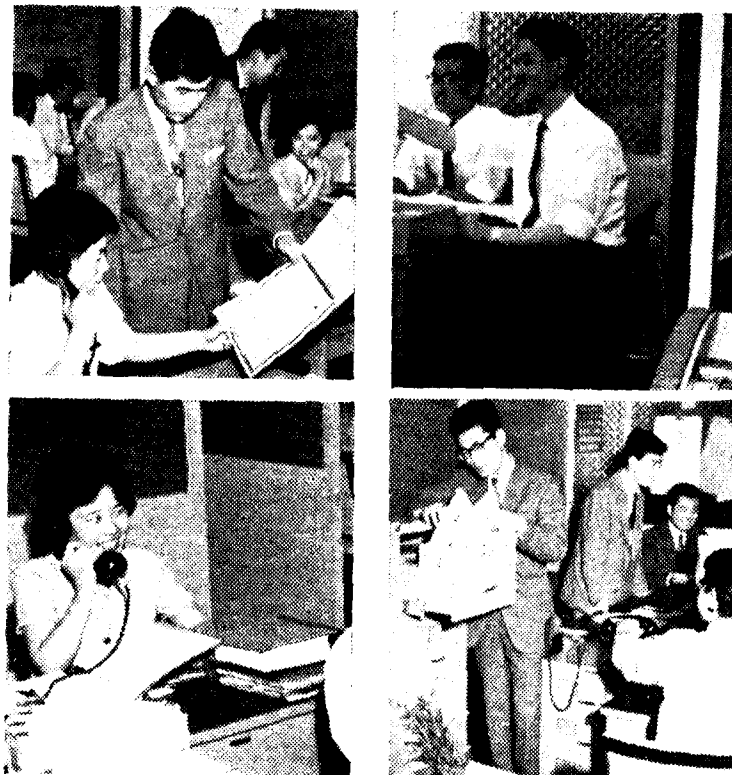
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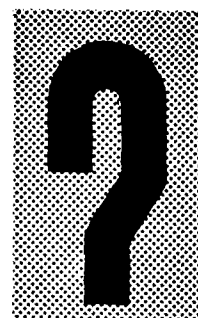
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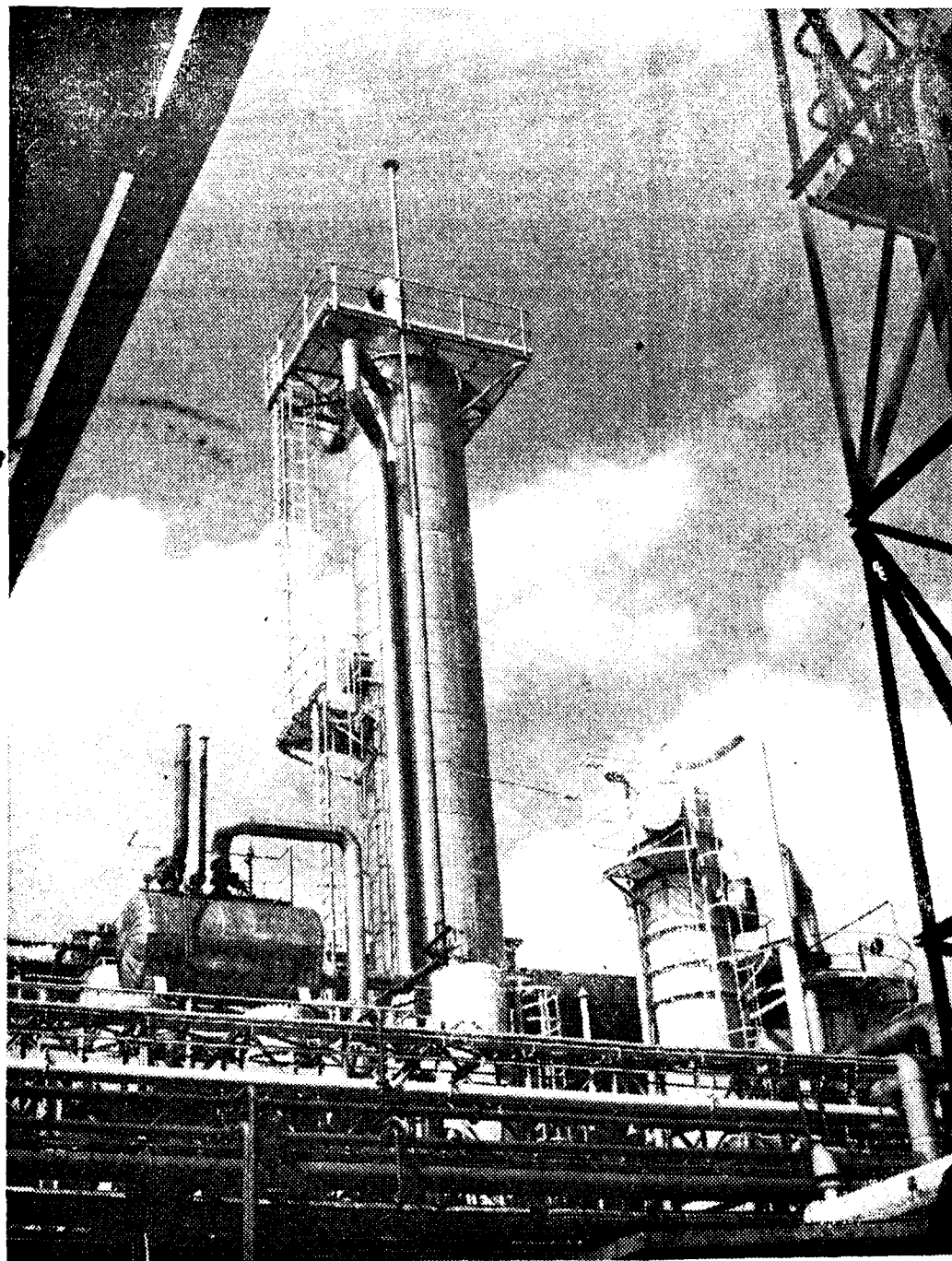
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have come to a great
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BRITISH INSURANCE

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July 22, 1961



HOME

A DANGEROUS THING

The Government's trepidation, during the present "crisis", over plainly desirable but awkward remedies for the real, long-standing sickness of the economy could lead to necessities as awkward and far less desirable (p. 315).

Hesitation on the threshold of Europe, if prolonged, might cost Britain its chance of having its own voice, and place, in the new world (p. 317).

A LITTLE LEARNING

Lack of scientific knowledge—and some disinclination to use it where there is no lack—bedevils British industry (p. 367).

The Plowden report on the control of public spending makes valuable suggestions; but it displays a distressing support for public ignorance of economic facts (p. 320).

Three educational experiments now afoot set out to aid the weak and civilise the strong (p. 328).

SURVIVAL OF THE FITTEST

The "big five" British motor manufacturers are becoming the Gigantic Two plus the three also-runners (p. 365).

A hire-purchase house has decided that cars are too old at five (p. 371).

PLACES NOT LIKE HOME

Expansion abroad is one industrialist's answer to Board of Trade embargoes on extending existing factories (p. 372).

Birmingham's hospitals for the aged have been the subject of a damning report (p. 360).

The outcry against German troops in Wales is mis-guided where it is not wrong-headed (p. 324).

THE WAGES OF SIN

The antique splendours of the Sunday observance laws may be chipped away by Mr Butler's committee (p. 328).

There is little the TUC can do to reform the ETU: its best hope lies in publicising the union's September elections (p. 327).

STRAWS IN THE WIND

The fortunes of the Conservative Party depend more on Mr Selwyn Lloyd than on the Prime Minister (p. 322).

Welsh leaseholders' distress may not be altogether logical: but it could present the Minister of Housing with a serious problem (p. 360).

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INTERNATIONAL

ARMS AND THE MAN

The gloom of the growing arms race leaves the necessities of disarmament more starkly exposed than ever (p. 319).

The firm western notes on Berlin expound a willingness to face the threat of war but do not explain how to meet Mr Khrushchev's threat to make peace with the east Germans (p. 322).

President Kennedy is preparing America for military action over Berlin, should it become unavoidable (p. 335). At the same time he is becoming annoyed at criticism from the press to which he has been so friendly (p. 336). The Peace Corps, one of his most imaginative proposals, is now on its way (p. 334).

Prices are going down in the United States even though economic activity is going up (p. 339). Whether wages will go up depends in part on the current negotiations in the automobile industry (p. 341). Drought has brought a temporary easing of the farm problem (p. 336).

BONN AND THE BEAVER

Canada has based its case against British entry to the common market on grounds of high political principle (p. 344). But the summit meeting of the Six in Bonn rubs home the political arguments for a British move. Though their ship is going slow to give Britain a chance to join, it is still steering towards closer unity (p. 344).

FALLEN IDOLS

Signor Fanfani's image as leader of Italian catholicism's "opening to the left" is tarnished (p. 349).

But the latest Papal Encyclical takes sides against colonialism and allows respectability to certain socialist ideas (p. 327).

President de Gaulle has described his Prime Minister, M. Debré, as St. Sebastian. But some of the arrows which it is fashionable to shoot at him might have been aimed at the President himself (p. 349).

In Singapore a left-wing victory reflects disillusion with moderate government (p. 328).

The hope that Persia's new Prime Minister, Dr Amini, will bring radical reform is waning as he is forced into compromise with the Right (p. 346).

ARAB AMBITIONS

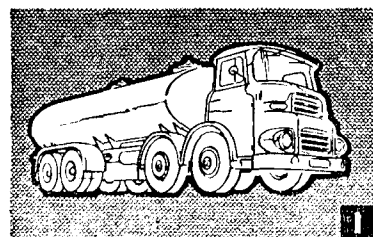
President Nasser has wisely taken up a cautious position on Kuwait (p. 323). But President Bourguiba of Tunis has courted the whirlwind by backing his claim to Bizerta with force (p. 323).

The Sudan government has imprisoned political leaders in the hope of breaking a growing opposition (p. 324).

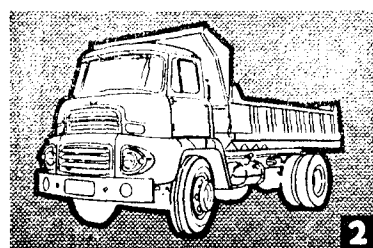
AFRICAN ANODYNE

Mr Macleod's new proposals for Northern Rhodesia's constitution have maimed African trust in him. But the territory's success in avoiding trouble until now is dulling awareness of the trouble to come (p. 343).

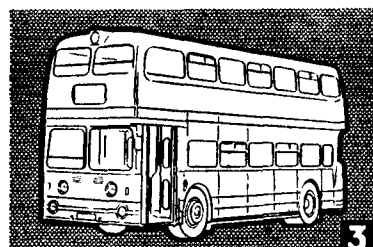
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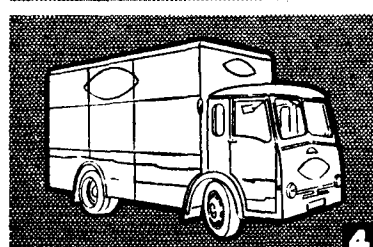
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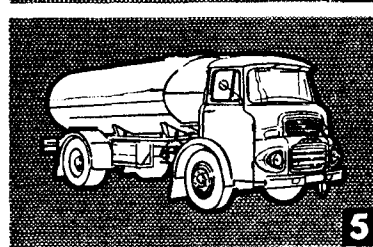
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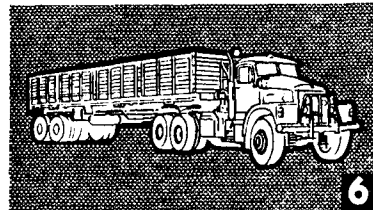
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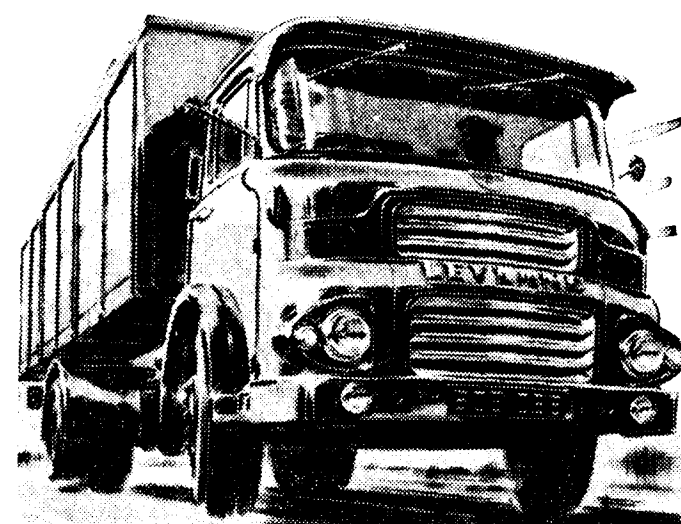
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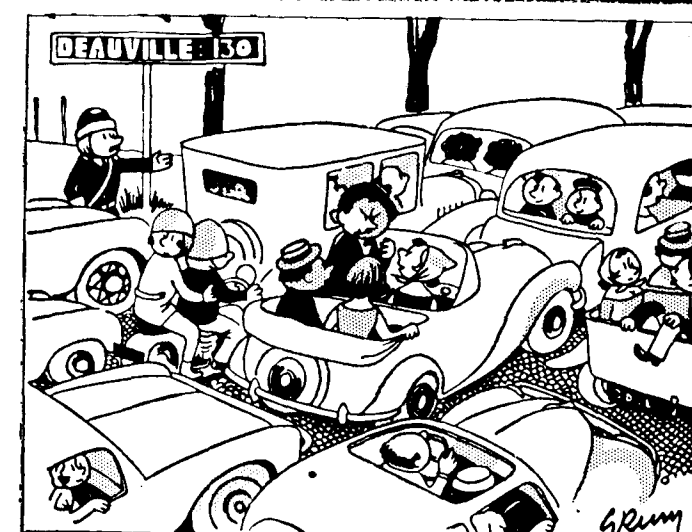
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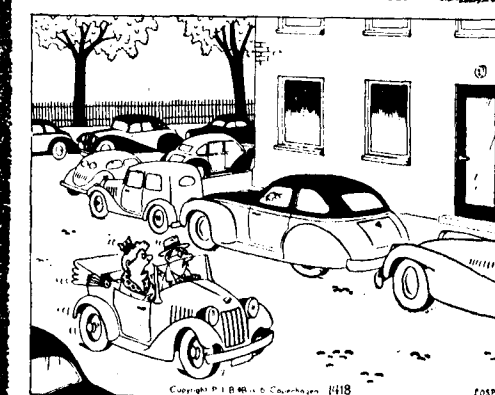


'I can only see one answer: do your business at home and live at the office'
(ROUTES ET CIRCULATIONS, BELGIUM)

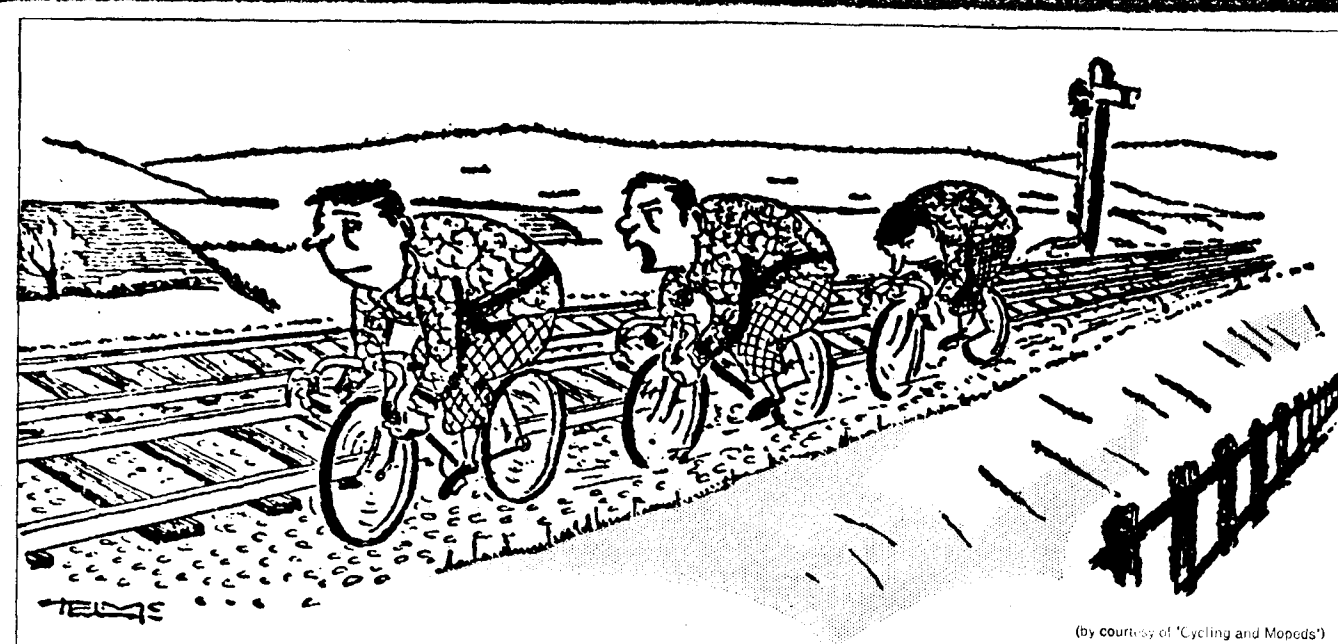


'... and if you tell me again that we should have gone by train, I'll kill you!...'
(LA PRESSE, FRANCE)

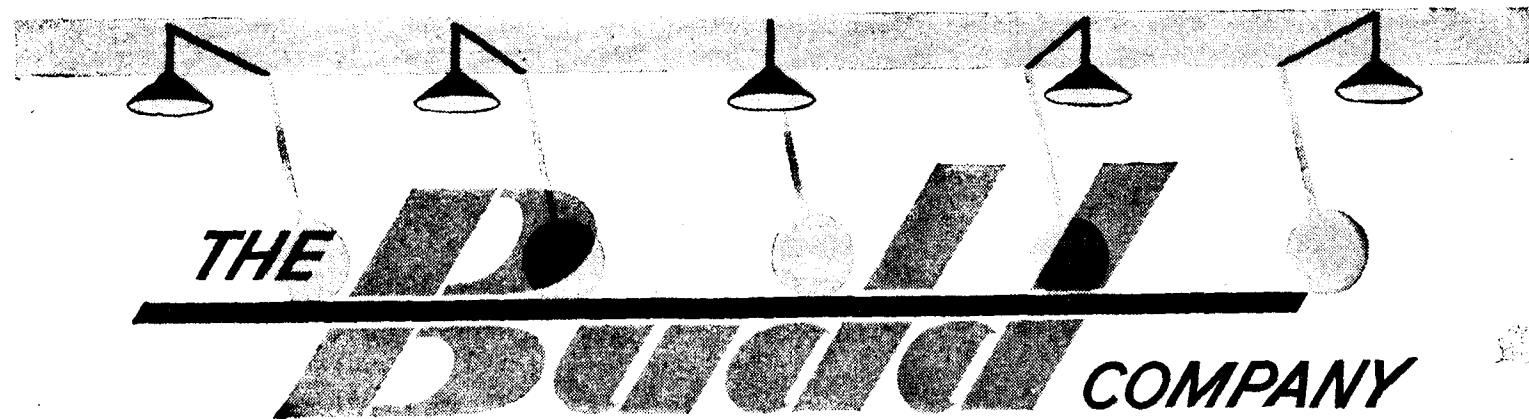
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and don't give
a hoot



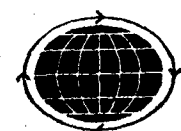
'Why can't you find a parking place when everyone else seems to do it?'
(NEUE BERNER ZEITUNG, SWITZERLAND)



'Do we always have to travel by the shortest Route?'

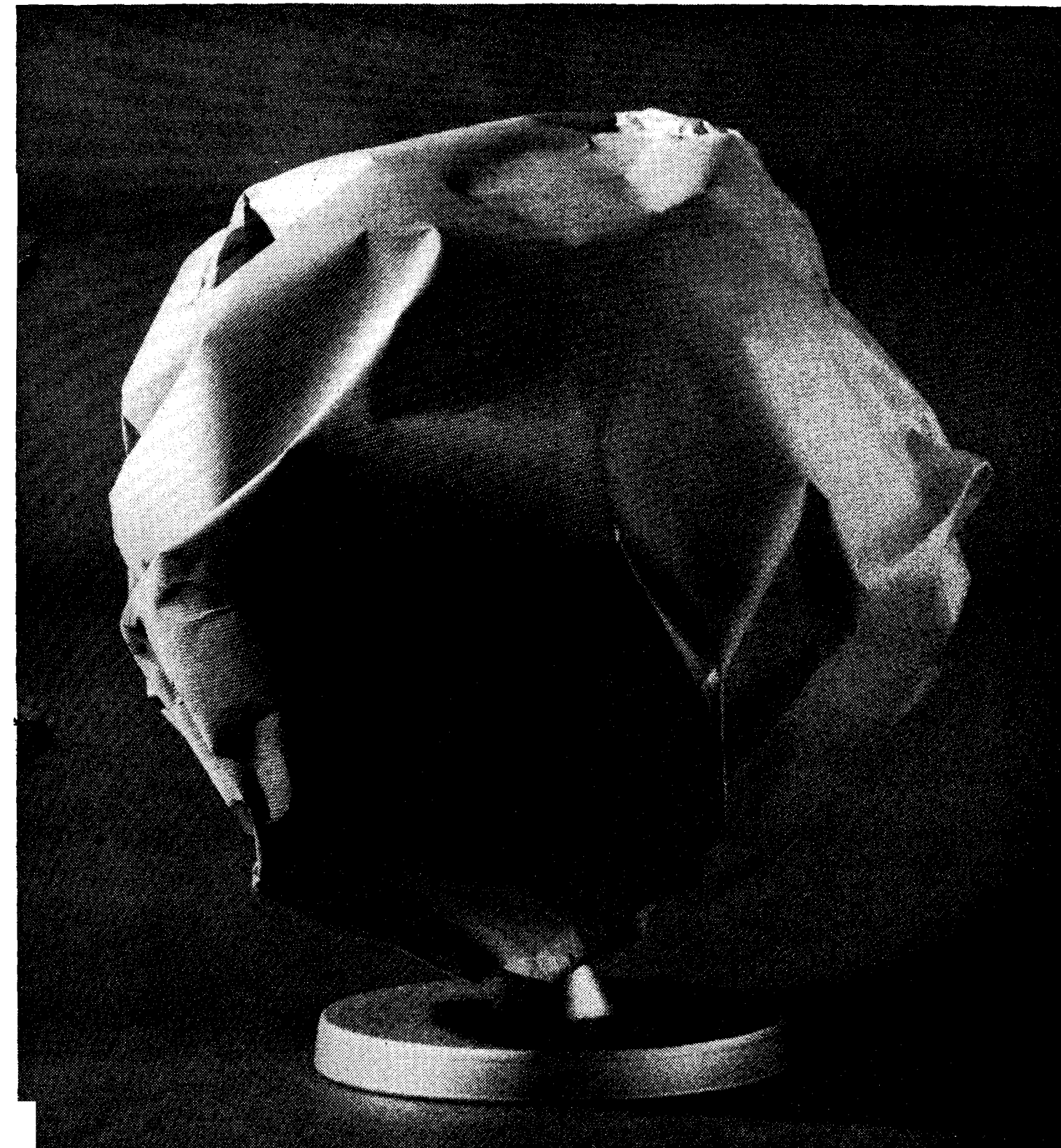


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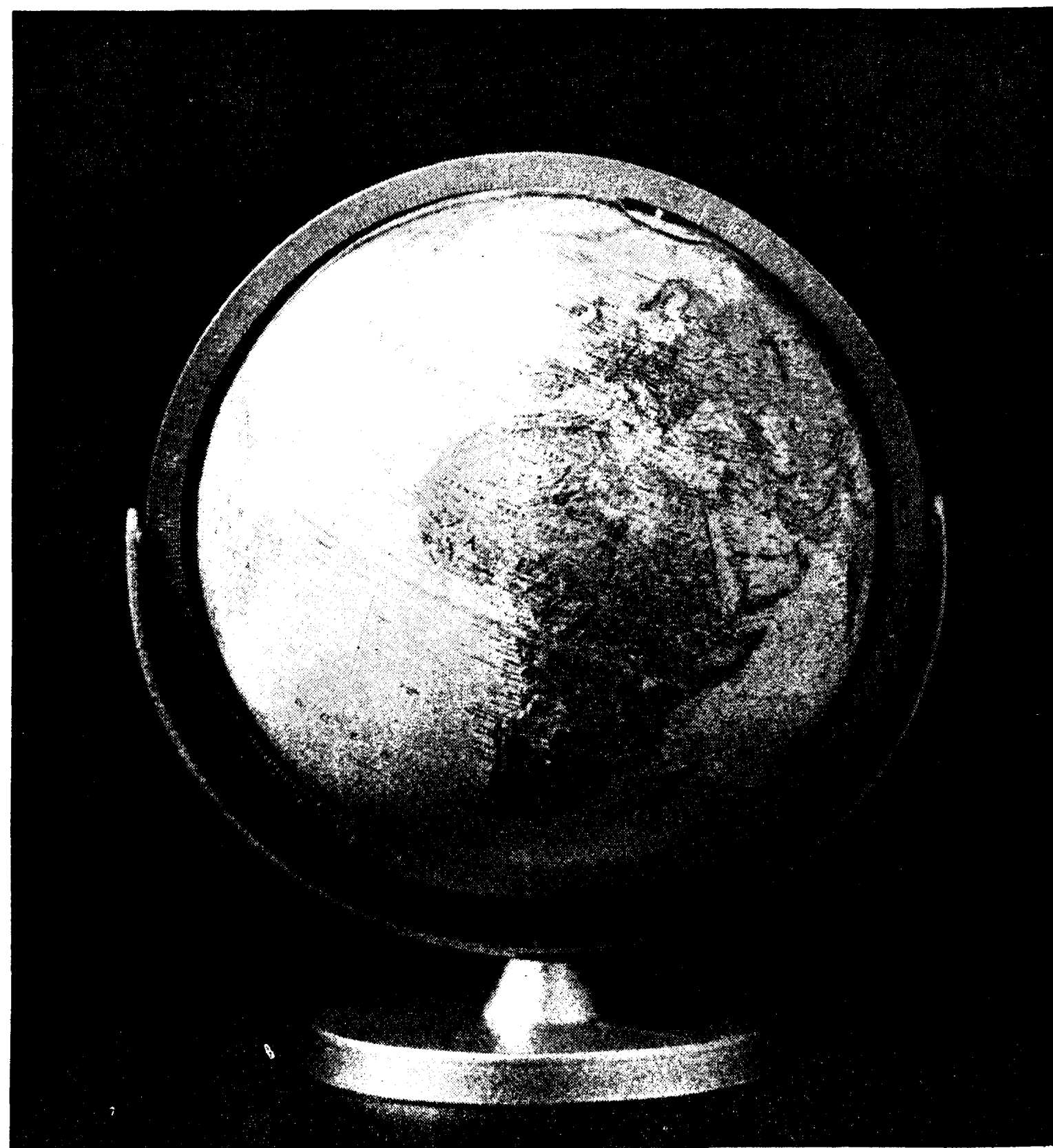
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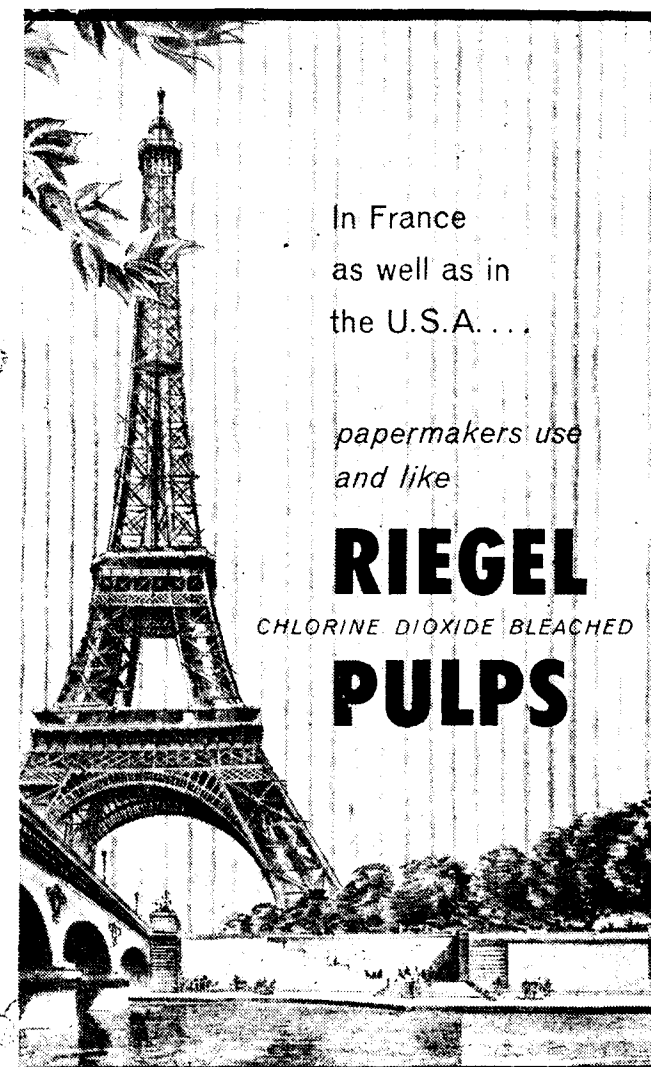
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Panic or Policy?

THE loud caterwauling of ministers in advance of next Tuesday's strangely delayed emergency measures has been a great mistake. Its most likely result is either that the measures themselves will appear as an anticlimax: or else that, in order to avoid looking anticlimactic, they will be made to look much more terrifying than they originally need have been. At present, the latter course seems more probable. It would now be so embarrassing to the Government if the mountain brought forth an ordinary mouse that Mr Lloyd's alternatives may appear to be to bring forth either a dressed-up bombastic mouse (possibly a very pink one, playing the anti-capitalist fool) or else a real rampaging heffalump of disinflation. Either beast would be a sign that the Chancellor is giving way to panic instead of soberly hammering out a policy that distinguishes carefully between Britain's short-term economic problems and its all-important long-term ones.

At the risk of being called complacent, one still needs to say that this country's short-term problems are by no means unmanageable, even though in the past few weeks they have been so appallingly mismanaged. It is not even necessarily true that the economy is faced this year by the threat of a sudden and persisting increase in the overload of domestic demand against supply; retail sales last month were at just about the same real level as a year before, although some temporary overheating of consumption has certainly been created since then by Mr Lloyd's extraordinary trailer advertisement that most consumer prices and taxes are likely to rise after Tuesday next.

In cool retrospect, the main thing that has happened in 1961 is that the previous illogical speculation against the dollar, which had dominated the international currency scene in the first two years after Europe's return to convertibility at the end of 1958, pretty well stopped in its tracks shortly after America's new image Kennedy administration came to power in January; and the diverted tide of speculation then turned strongly against sterling instead. This unwillingness of foreigners to hold sterling at the existing level of interest rates was in itself a warning that Britain's long-term weaknesses—its continuing cost inflation and adverse balance of current payments—had made sterling seem to be a sensible currency to speculate against. But the immediate new short-term threat to the exchange rate was one that could and should have been largely met by a rise in Britain's Bank rate several weeks ago. Unfortunately, partly because the authorities were lulled by foreign central banks' helpful willingness to hold sterling under the so-called Basle agreement, this was not done; and the fact that another Thursday has passed without action being taken must increase the apprehension that maintenance of the mistake in not raising Bank rate may conceivably have become a matter of face.

The Prime Minister told Tory backbenchers last week that old-fashioned methods of correction were not appropriate this time, which is an extraordinary conclusion for him to have drawn from the fact that neither the new-fangled method of no-correction under the Basle agreement nor Mr Lloyd's austere increased budget surplus has so far looked like working. A decision not to raise interest rates now would be a decision to abjure use of an efficient double-barrelled weapon, in favour of using various single-barrelled weapons twice as hard. The big short-term mistake which the Government may now be making can be summed up in two sentences. A two per cent rise in Bank rate would

have the double advantage of being a bait to make it more profitable for foreigners to hold sterling and a regulator to cut down home demand. If Britain is not going to use the bait, then it will have to operate other forms of regulator (whether tax increases or very large public expenditure cuts or both) much more sternly than it would otherwise need to do.

Until these last two weeks, the one heartening feature of ministers' speeches had been their insistence that this time, at last, the Government intended to try to rectify the long-term weaknesses of the British economy as well as to meet the short-term threat before it. But now there must be an increasing doubt whether they are allowing themselves to understand what those long-term weaknesses are. *Pace* the moral puritans, it is a bleak acceptance of poverty to abandon the aim, and castigate the idea, of having it so good; one should not confuse that phrase's bad grammar with its excellent dynamic principles. Britain's ailment most certainly is not that its people are earning too much money in profits and wages in free-for-all markets. On the contrary, the trouble is that in free-for-all markets—such as markets abroad are—Britons are not earning enough; but that in some monopoly-influenced or trade-union-rigged or subsidy-protected markets at home they are too often getting profits or wages that they do not earn.

The ways to cut out the cancerous element in profits are, first, to introduce more competition into every industry (by reducing tariffs and barring legal enforcement of resale price maintenance), so that the only firms that can make large profits are those that are dynamic enough to thrive in really free markets at home and abroad; and, secondly, to stop giving Government subsidies to lame dogs. The ways to cut out the uneconomic element in wage rises are, first, to recognise that a monopoly and cost-inflating element occurs whenever

Britain's present system of collective bludgeoning by trade unions pushes money wage rates higher than they would go in a free market; and, secondly, for the Government to risk strikes by turning down all above-the-market wage demands in its own sector, thus giving encouragement to private industry to do the same. This is not the same thing as a freeze in incomes; in all industries that are economically expanding and that need to attract more workers, earnings of all sorts should go ahead.

THESE are relatively simple and direct steps. It is only the extraordinary milksoppery which has saddened British political attitudes that makes it seem difficult for the Government to take them, and that gives rise to the view that one had better in fairness hit out at irrelevant targets first, with the pretence of thereby making it "psychologically easier" to hit out at relevant targets later. Here is the major and abiding curse of British politics today: the assumption that awkward things that are desirable for their own sake should never be done directly, but should always be approached deviously.

This sort of approach has lately brought a grievous threat to Britain's policy for associating with Europe, which the next article discusses. The cautious way of tackling difficulties in the way of a British entry into the common market has been assumed to be to talk a great deal about these difficulties and to talk very little about the advantages of riding past them. The theory has been that this would make those who have a vested interest in those difficulties more placated and amenable; in fact, its main result has simply been to give them more encouragement and incentive to dig in their toes. In the same way, it really would not be sensible to send Mr Sandys, Mr Hare, or Mr Thorneycroft as special emissaries to the trade union movement to talk about the Government's difficulties in saying "no" to it; and it would be worse than senseless to try to light the way to that approach by sacrificially burning at the stake a few anti-capitalist offerings, such as shareholders in any successful and expanding industries.

Yet there is now an obvious danger that Mr Lloyd may resort to some such theatrical and irrelevant action as demanding or imposing a general dividend freeze—which then by its nature would hit hardest at investment in precisely those industries that ought to be growing; which by holding back these growth industries would stunt the nation's best hopes of improving its standard of life; which by frightening away foreign and British investors could directly heighten the strain on sterling that the measures were meant to be designed to abate. The cardinal error in this crisis would be to slide into the assumption that the best way of cutting out waste in the economy is to cut down the most natural growing points first.

Possibly, these fears are too gloomy. In the short term, one suspects that almost any of the disinflationary measures which Mr Lloyd is now obviously going to take will succeed in damping down home demand pretty effectively, partly because that demand is probably not nearly as buoyant as the Government seems to assume. Unless the manner of his action succeeds in frightening foreign speculators as much as the matter of some of his speeches has already frightened his domestic friends, this plunge into disinflation should bring quick succour to the pound. In the long term, it is still

possible that the heartening things that the Chancellor has said about fostering more competition should be taken at their face value, and that the more transcendental moonshine hinted at in some of his other statements should not. But the fear remains; some recent ministerial statements have been most redolent of George Bernard Shaw's aphorisms that

Britain's New Frontier

The opposition to British entry into the Common Market is mounting; but no serious alternative exists, and the opportunity will not wait

IN the past two months the reasons that have impelled the British Government to consider joining the European common market have become obscured. No wave of opinion on such a major issue, however strong, can roll forward indefinitely without some backwash, and at home the dawning realisation that Britain is on the verge of a historic departure from its insular traditions has brought out into the open those who look back instinctively to those traditions. The three ministers who have been consulting the Commonwealth have come home laden with problems—which, in fact, they went out to collect. Only two governments, it is true—those of Canada and Australia—have been open in their opposition. But each Commonwealth country has naturally pleaded for its special trading interests, and most have brought up doubts about the future of the Commonwealth as a political idea.

Yet events have meanwhile put the case for joining more forcefully than any arguments. In Bonn, on Tuesday, the heads of the six common market governments met and agreed on more steps towards political unity. They are not at present envisaging federation and even the French plans for confederation have been toned down. As our Bonn correspondent points out on page 344, the Six are indeed pausing to give Britain the chance to board the ship. They have, however, made certain decisions: that the heads of governments should henceforth meet regularly; the foreign ministers, who already do meet regularly, should go on doing so; and a commission should draft a European political statute. A further step has thus been taken towards a new system of political consultation and power.

Europe—as Mr Khrushchev's Berlin threats show—has by no means yet been displaced as the central arena of world politics. But Britain now faces the prospect of becoming increasingly peripheral in shaping its affairs as a new, incomparably bigger, group emerges on its doorstep. In the broader Atlantic context, too, the postwar phase when Britain, as the leading European state, could still hope for a special influence as America's first ally, is at an end; for the shifting facts of power force America to give the European community greater weight. The Commonwealth rightly attaches importance to maintaining Britain's voice in world affairs. If Britain finds no place in the new European structure, that voice seems destined to become increasingly plaintive and unheard, in America as elsewhere.

Meanwhile the country's sixth postwar economic crisis provides the economic writing on the wall. Through fifteen years one improvisation after another has masked the need for a radical shake-up of the British economy. The pretence

"when a stupid man is doing something which he is ashamed of, he always declares that it is his duty" and that "an Englishman thinks he is moral when he is only uncomfortable." This seems to be a dubious form of morals; the point to make before next Tuesday is that it is certainly a chuckle-headed form of economics, which a great trading country cannot afford.

cannot be kept up much longer. For a decade Britain's share of the world's exports has been steadily declining; it now faces the prospect of exclusion from the world's most swiftly growing major market. Joining the common market will not solve Britain's economic problem; but it will bring the problem home in tangible terms—and present the opportunity to solve it. Certainly no other step offers the combination of both a salutary competitive discipline and the access to new markets that should stimulate investment and growth at the same time. In sheer tactical terms a new hesitation at this stage could be disastrous for sterling; while, to glance aside at a more hopeful prospect, the plans for a pooling of reserves on a European basis now being hatched amongst the key thinkers in Paris and Brussels do seem to offer a more radical remedy for the sterling problem than any yet put forward. The pooling of power can bring, not just sacrifices, but real remedies for problems that have outgrown this island nation.

For all that, the British Government would seem to be under sore temptation to put off a decision once more, as Tories and others react nervously to the protests that have been invited from across the sea. The Federation of British Industries, which once gave a fair wind to the move towards Europe, has already succumbed to this temptation. A resolution, passed by the grand council on July 15th, accepts the idea of a common tariff, advocates a common European policy towards low-wage countries which will shift some of the burden of Asian import from British to Continental shoulders, and even grudgingly acknowledges the possibility of losing existing preferences in Commonwealth markets. But it comes out directly against "formal negotiations with the Six until existing differences have been so far narrowed as to offer the prospect of a satisfactory outcome."

FRANKLY, there now seems no likelihood that further hesitation will bring any further narrowing. A year of patient, perhaps excessively patient, British diplomacy has brought a great change for the better in the climate across the Channel, but hope and expectation cannot last for ever. The French in private exchanges have gone as far as they are prepared to go on the Commonwealth problem in advance of a formal negotiation—and that is quite a long way. They have agreed to associate British African territories on the same terms as their own, and to extend free entry arrangements to vital Asian tropical products like tea. They are prepared, it seems, to re-negotiate items of the common tariff; this could presumably take care of the vital Canadian raw materials, like aluminium

The Economist

JULY 20, 1861

ASYLUMS FOR MONEY

WE have heard a great deal lately of the poverty of bankers, and this has been assigned as a concurring cause for the tightness of the money market and for the low value of public securities. The accounts, however, of the London Joint Stock Banks for the half-year do not show any indication of this poverty. . . . It has surprised many persons that these great establishments should not show any signs of the poverty which has been attributed, doubtless correctly, to banks in general. As these banks have large country connections, it might be especially thought that they would be affected by the poverty which the bad harvest of last year has caused through the agricultural districts and among country bankers. But the peculiar nature of the business of the London Joint Stock Banks must be remembered. They are the reservoirs of hesitating money. Whenever there is a period of uncertainty they thrive. When a man is in doubt as to what he shall do with his money, he puts it out at interest in a London Joint Stock Bank; whenever he hesitates to buy anything because he thinks the price will be lower, he puts it at interest in a London Joint Stock Bank; whenever he is dubious whether he can continue to do his usual business with a profit, he deposits the money in a London Joint Stock Bank. He can have his money in a moment, and he obtains a high interest; for these banks are in the very best market for making money, and can obtain the aid of the most practised intelligence. No other establishment can compete with them in these respects. They are a sort of asylum for unemployed money, because they can bid more highly for it than any one else can bid. During the last half-year there has been much unemployed money, and therefore they have not suffered as other banks have done during the same trying period.

and newsprint. In Geneva, under the auspices of the General Agreement on Tariffs and Trade, a conference is meeting to work out a joint western policy to share the burden of importing Asian textiles. Here, in embryo, is the answer to the problems of India and Hongkong. Finally, the French recognise that New Zealand's agriculture must have special treatment.

There remains the problem of agriculture generally—above all, of meat and grain from Australia and Canada. With French peasants out on the barricades, German ones barracking Dr Adenauer on the hustings, and the prairies under drought, no-one can pretend this will be easy to solve. But here, too, difficulty is not a reason for delay. The common market's agricultural policies (like its African association) are now at a crucial formative stage; it will not help New Zealand and Australia (or Ghana and Nigeria) if Britain waits to try to join until the plans have crystallised. Almost every week, some new feature of the common market takes final shape, narrowing the field open to negotiation.

The Federation of British Industries, whose resolution, though remarkably reticent on the interests of industry, contains strong views on politics, agriculture and the Commonwealth which sound very like those of the Board of Trade, declares that the common market in agriculture "is likely to be restrictive." That is the danger, it is true. But there is also another danger—that the British will overestimate their own present liberality, and underestimate the opportunities that would exist to make European policy more liberal if they themselves were to throw their weight on the liberal side. The latest bulletin of the United Nations Economic Commission for Europe shows that British grain prices (where subsidies protect home producers against the Commonwealth and all comers), though lower than prices in Germany, were far above those in France in the years 1956 to 1959. If Britain were to throw its weight on the side of the efficient European producers (Holland, Denmark, France) who want prices down, there could be a strong combination in favour of a relatively low-price liberal common market.

Agriculture is not the only field where mistrust may be as great an obstacle as the difficulties themselves. The FBI is worried by the uncertainty of the provisions of the Rome treaty about restrictive practices. Here the Six have, indeed, not yet decided what to do. But a visit to Brussels might have shown the FBI that there are key men in the community anxious to learn from Britain in this field. The head of the "competition" directorate of the European Commission has himself studied the working of the British restrictive practices court, and regards it as a better model for the community's arrangements than any system yet existing on the Continent. Here is a good example of the suspicious insular habit of, in case of doubt, assuming the worst.

When all the objections have been aired, an alternative to the policy of applying to join the European community, and negotiating to protect the interests of the Commonwealth and the European Free Trade Association, is impossible to find. On their side the Six have made it clear again and again that they are not prepared to accept a looser association with a large power like Britain that will water down the essential institutions and principles of the Rome treaty. Nor, for that matter, will the walls of the community's African association come tumbling down at the blast of the Commonwealth trumpet, as

Dr Nkrumah still seems to hope. Unity in western Europe remains, at this stage of African emancipation, a condition of unity in Africa.

ONE other idea that has been resurrected in the past few days—that of a Commonwealth common market—merely shows up starkly the limitations of the Commonwealth (for all its reality in other ways) as an economic, or indeed a political, community. Is Mr Diefenbaker or Mr Menzies prepared to tear down the tariffs and quotas against British goods behind which Australia and Canada are building up their infant industries? Is Dr Nkrumah prepared to give up his idea of an African common market for the sake of a Commonwealth one? They are not; their stage of national development is against it. Eighty years ago the Continental countries moved into their era of protection as they built up their infant industries, while Britain enjoyed free access to Commonwealth markets. Today, as mature economies, they are ready to bring the barriers down, while the Commonwealth countries are protecting themselves as they, in their turn, industrialise. The health of the Commonwealth itself requires Britain—free and independent just like other Commonwealth countries—to be able to adapt itself to this changing pattern.

That does not mean at all that the unique network of the Commonwealth countries cannot keep what are its real ties, and develop them. Indeed, in the new world of regional groupings, the Commonwealth's role as bridge—between regions, as well as between races—should actually grow. The Commonwealth, changing fast anyway, will change as Britain becomes a part of the new Europe, but this need not be any weakening; the alternative is a fatal debility at the heart.

Sir Roy Welensky has remarked that a British decision to join might pose a "threat to the whole Commonwealth structure," because it would impair Britain's political identity and influence; that is the plea which Canada has entered, too. But how long will the Commonwealth mean anything at all if Britain cannot make up its own mind to take this plunge? It is precisely in order to preserve and refashion Britain's political identity and influence that the decision is demanded. The head of a body like the Commonwealth cannot persist merely as a reflex of the limbs. Only Britain can weigh, for itself, the facts of power and wealth, and politics and defence, in its home continent, Europe, and decide to do what is needed to secure its future—and so, in part, the future of all its friends.

Throughout the years of erosion of the British imperial position the British people have tended to react defensively, drawing in their horns abroad, falling back on the consolations and myths of island life. But the state of our economy today—and of the world polity—should make it plain that the Dunkirk spirit is not enough. In the common market British industry will face a rigorous challenge; but opportunity will be there as well. In politics Britain will have to produce new energies if it is to carry its great traditions into the new Europe and not be swamped. But there, too, lies opportunity: the case for joining Europe is not just *faute de mieux*; there is the new frontier there, political as well as economic, that this old country much needs now. It is not an opportunity that can be toyed with for long. The European Community is taking shape fast; 1961 may well be the last year in which Britain can enter with a fair hope of helping to shape it.

A B C D of Disarmament

Fresh spurts in the arms race make it the more urgently necessary to plumb the full depth of the disarmament problem

SHAPES are sometimes clearer under dull skies than in the bright shimmer of hope. This is particularly true of the disarmament problem. Its essential outlines are too seldom recalled. Either attention is focused on those aspects of it that seem most hopeful at a given moment, or it is shrugged off altogether because there appears no prospect of progress at all. Yet a recall to fundamentals is not only needed when the outlook is grim; it is also at such moments that the fundamentals, unobscured by fleeting hopes, emerge most craggily.

This is surely such a moment. True, Mr McCloy is in Moscow this week, still patiently prodding the Russians toward a resumption of the disarmament talks that they broke off so brusquely more than a year ago. But—especially after *Pravda's* weekend leader—nobody now envisages a serious resumption of talks before the United Nations Assembly meets in September; and nobody dares to expect from the Assembly more than another inconclusive wrangling match such as marred (and lengthened) its last session. Nor are the Geneva talks on nuclear tests any longer seen as a potential pathmaker for a comprehensive disarmament agreement. The senior American and British delegates have withdrawn from Geneva, and their governments have asked the UN Assembly to consider the deadlock created there, after thirty-two months of negotiation, by Russia's insistence on new conditions. Over all hangs the shadow of Mr Khrushchev's announcement of a dramatically increased Soviet arms effort, presented as a response to recent American moves and in turn setting off fresh American discussion of further moves, including the calling up of some reserves.

Yet even the prospect of a trial of nerves—if not of strength—over Berlin cannot altogether still the continuing debate on disarmament. The greater the danger, indeed, the more urgent becomes the need for a really searching re-examination of a problem whose full depth has still not been plumbed.

NOTHING now remains of Mr Khrushchev's 1959 formula for general disarmament except a kind of Cheshire-cat grin and whiskers. Such body as lay behind the grin has been gradually dismantled by its own sponsors. They have abandoned the four-year timetable, after Mr Tsarapkin had given the show away by insisting at Geneva on an even longer period merely to mount the monitoring of nuclear tests. They have abandoned (after light-heartedly reversing) Mr Khrushchev's absurd programme of staging, under which all non-nuclear powers were to be completely disarmed before the hydrogen-headed ICBMs were touched. The Russians have grudgingly revealed that when they say "complete" disarmament they do not mean it; they mean that each state would keep enough force to sustain its rulers in power—that is, the less democratic a regime, the stronger it would be militarily. And they now accept the need for an international force under UN authority to keep peace in a disarmed world—an idea which, less than a year ago, was reviled by Soviet spokesmen as one of imperialism's most evil devices.

Western formulae have stood up better to the test of two gruelling years. One can trace a continuous pattern of generally realistic thinking through the British outline offered to the United Nations in September, 1959, the five-power plan of March, 1960, the American elaborations of June, and the Anglo-American-Italian resolution tabled in the Assembly last November. The essential idea, that general disarmament must be so staged that nobody should obtain a dangerous military advantage at any point, has been faithfully preserved (it has now, indeed, been formally accepted by Russia, but unfortunately in a context that shows the acceptance to be purely formal). There remains, however, a glaring gap in the western formulation. The fact that the same gap is equally unfilled in the Soviet proposals, and in the suggestions offered at the UN by India and other uncommitted nations, does not absolve the western governments from the responsibility of filling it in, if they wish their plans to be taken seriously.

The gap is papered over with vague references to new peace-keeping machinery necessitating the use of a UN force. But such phrases raise rather than answer the crucial questions. In a generally disarmed world, in which, however, some states retained the substantial forces they would need to control their own peoples, how strong must the international force be to keep the peace? (Russians, at least in talk with foreigners, now throw up the idea of a force of 100,000 men, possibly with naval and air elements, but without "heavy" weapons.) Would the force be an international legion with a single loyalty, or just a congeries of national units, like the existing UN forces, whose elements are available only if their governments permit? Above all, how could the peace-keeping authority be constituted so that its necessarily irresistible military power could not be abused, without crippling its effectiveness by a system of vetoes?

At first sight, no doubt, these seem highly hypothetical questions that need not be answered until Utopia is in clearer view than it is today. But their gradual and vexing intrusion into the great debate on disarmament during the past two years suggests that they have a much more immediate bearing. Mr Khrushchev has raised the issue in the course of his onslaught on Mr Hammarskjöld, arguing that no one man can be given the power that might accrue to the secretary-general if a UN force of decisive strength began to evolve. More generally, no government is likely to commit itself seriously to the road that leads to general disarmament if it sees, at the end of the road, a system fatal to its most cherished ambitions—a system from which, once it has been established, it will be too late to escape.

Appointments, Business and Personal

notices, and other

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The fundamentals of the disarmament problem are, after all, pretty simple, however unavoidably complex its super-structure. These fundamentals even lend themselves conveniently to an alphabetical arrangement. In this alphabet A stands for anarchy—regrettably, the natural condition of relations between sovereign states—and B for balance of power, the most familiar device for moderating an anarchical rivalry in arms. For all our anxious thought, we have not yet, in execution, got beyond B; we have merely explored its limitations, while still, necessarily, relying on such security as it offers us. Meanwhile, both in negotiation and in unofficial debate, our concern is divided between the various new moderating devices that are usually lumped together under the heading of arms control (C) and the sweeping reductions involved in general disarmament (D). (The alphabet need not, of course, end there; beyond D one might cite, for instance, E for the economic consequences of general disarmament—a whole field for study in itself, and one to which the UN is now committed; but, for the present, the argument may be kept to four-letter terms.)

If D is now dominant in the public eye thanks to Mr Khrushchev's vestigial but still hypnotic grin and whiskers, among the pundits it is C—arms control—to which the greatest amount of brainpower is being devoted, at any rate in the West. (There is, as yet, practically no published evidence of serious analytical thinking about either general disarmament or arms control among Russians.) Mr Kennedy is still being bombarded with suggestions elaborating the existing body of ideas about how to avert "accidental" war by providing mutual reassurances; how to check the spread of nuclear arms to other powers or into outer space; and how to make the deterrent less dependent on vulnerably sited missiles and inadequately dispersed bombers, with their attendant risks of over-hasty trigger-quickness. Here, with such devices as the Polaris-firing submarine, C visibly overlaps with B; the goal is to stabilise, even defuse, the balance of power.

Soviet doctrine—for example, Mr Bogdanov's pamphlet

on "Nuclear Disarmament," lately published by the Institute for International Relations in Moscow—remains scathingly hostile to the whole concept of balance, and thus to all forms of arms control designed to perfect the balance. But Mr Khrushchev's latest spurt in the arms race is a reminder that, in practice, Russia too pursues balance—at tremendous cost to an economy much less productive than America's; and the present western concentration on those forms of arms control that aim at a better balance is largely the result of the Soviet resistance to control through mutual inspection that has bedevilled the Geneva talks on tests. But it is the pace of technological advance that most seriously affects the validity of the idea of security through balance. Such a breakthrough as the successful development of an anti-missile missile or a "neutron" bomb, or a dramatically cheaper method of producing weapons of mass destruction, could only too easily upset either the balance between the super-powers or their dominant position in the world. In alphabetical terms, this would mean being driven back from B to the armed anarchy of A.

THE apparent choice between approaches to disarmament that some partisans have urged is in fact an unreal one. So long as the road to D—general disarmament—remains uncharted by reason of the nations' refusal to face its full implications, the immediate task is that of perfecting B as far as technical factors permit and piling as much of C as possible on top of it. But B and C together, however successfully developed, can yield no final security; the road to D, however misty, must still be reconnoitred. The western governments have already looked far enough ahead along that road to glimpse the inevitable at the end of it—world government—and have shrunk back; the Russians have steadfastly shut their eyes to it. On neither side (nor, it should be added, among the uncommitted countries) can sincerity about general disarmament be claimed until the plain facts are faced more frankly.

Several Billion Candle Ends

A first judgment on the Plowden report which was published just before we went to press

THE Plowden report on "Control of Public Expenditure" bears many of the marks of an intelligent civil servant's document; senior officials from several departments sat on the committee with Lord Plowden and three other outsiders, and although the published report is issued solely in the names of these last four men, the views expressed carry with them a certain cachet of what is thought to be best by the wisest men in Whitehall. It is therefore reasonable to consider them with that leaning in mind. The report's main recommendation is quite obviously right. Whether or not Government planning is to be regarded as a dirty word for outside industry, it is high time that Government expenditure itself was planned. At present, says the report, "the tendency is for expenditure decisions to be taken piecemeal"; henceforth or, rather, once the necessary organisational changes have been made, "decisions involving substantial future

expenditure should always be taken in the light of surveys of public expenditure as a whole, over a period of years, and in relation to the prospective resources."

The pill in the pudding is that, once the Government has made these long-term surveys, the report assumes that it should not tell anybody about them:

It is . . . doubtful whether any Government will feel able to place these surveys before Parliament and the public. To do this would involve disclosing the Government's long-term intention for a wide range of public expenditure; and also explaining the survey's assumptions about employment, wages, prices and all the other main elements in the national economy. It would be surprising if any Government were prepared to do this.

This is an argument that no government should be allowed to get away with—at least in the extreme form that appears to be adumbrated in this so authoritative report.

In fact, the case for maximum and informed and pertina-

cious public debate is strengthened by a consideration of the three examples of the sorts of decisions through which the committee sagely suspects that the largest amounts of public money may be being wasted today. The main fields of waste, it believes, lie in the "no-man's land between policy and administration." The first typical sort of case "may be a subsidy to a farm or an industry or an area, given as a temporary pump-primer yet continued despite the fact that the recipient has poor prospects of ever becoming self-sufficient again." Secondly, "the social changes of the last fifteen years have altered the incidence of hardship, so that there now may well be excessive social services for some purposes and inadequate ones for others" (the report boldly suggests that some agricultural grants may come into this category). Third are cases in which quick changes and happenings in the military or international field, or in industry, agriculture or transport lead to a strong pressure for governmental action, often in the form of large capital projects: these cases often arise at short notice and with what appears to be pressing urgency, fanned by parliamentary and public opinion. The consequence may often be that they are not subjected to adequate financial examination. These are all cases in which subsequent history often shows great waste.

The first two sorts of waste are of a kind that politicians find it difficult to cut out, until a mass of newspaper articles has helped to create an informed opinion in favour of doing so. The third sort of waste is implicitly blamed by the report on pressure by uninformed public opinion, but that pressure will certainly not be made easier to resist if the trend in any new system of long-term planning is for the Government to keep its long-term expenditure estimates secret to its pristine self, and leave the public in the dark.

The second major potentiality for waste in the public service lies not in the way that the state takes its expenditure decisions, but in its system of control over the way in which those decisions to spend are carried out. Basically, the right trend here—to which the committee gives its blessing—must surely be to make the Treasury more of an efficiency audit organisation and to leave more of the purely detailed management of expenditure to the departments themselves. "The Treasury," says the report, "should use the submissions on individual expenditures mainly to form a judgment on the efficiency of the department's administrative machine; and it should express its views about the administration rather than about the individual submissions themselves." In performing this salient Treasury task, the report notes that

increasing attention has been paid in recent years in the Civil Service to comparisons of performance of units in different departments but engaged in the same field of work, such as regional offices, hospitals, research establishments; and to comparisons of the way in which the same job is done by many departments, e.g., information work, building costs and so on. It is important that these comparisons should be increasingly made, throughout the public service. And, once again, although one suspects that Whitehall would hate this, why on earth not publish them?

Within the individual departments, the report recognises "the burden of work which falls on Permanent Secretaries in carrying out their triple function of policy advice, finance and management"; but hints delicately that some permanent secretaries should devote more time to the last. To help them, it recognises that "the post of Principal Establishment

Officer, as adviser to the Permanent Secretary on staffing and organisation, should be regarded as one of the most important posts." Does this go far enough? Should not most of the bigger departments have the equivalent of a general manager in them, separate from and just below the policy-advising Permanent Secretary? Any big commercial organisation would be likely to arrange things that way; in a newspaper, which is not an entirely jejune analogy, the editor (as policy-maker) and general manager are always separate posts.

THE other big and remaining problem, which is not really solved by this report, is that of securing effective outside supervision over the whole machine. The report makes no mention of the case for having a senior Cabinet minister, separate from the Chancellor of the Exchequer, as a sort of director of the bureau of the Budget to oversee government expenditure as a whole. It says merely (and somewhat idealistically?) that there should be an improvement in the arrangements to enable ministers to discharge their "collective responsibility" for this; ministers should not regard themselves as poachers whose job is to get the biggest vote for their department, leaving the Chancellor as the sole game-keeper.

The report also does not exactly overdo its enthusiasm for the parliamentary watchdogs in their Estimates and Public Accounts Committees. "We have not formed the impression," it says in one of several loaded negatives, "that the work of the committees, taken as a whole, is imposing an unreasonable load upon the Permanent Secretaries or upon the departments in relation to its intrinsic importance." But it does hope that the committees will realise that the Treasury cannot constantly be expected to give as much independent advice and comment to them on detailed points as it did when Government expenditure was much smaller and more directly Treasury-controlled than now. As for parliamentary control of the nationalised industries, "the over-riding consideration in our view is to strengthen the managements"; once that is done, the report implies, Parliament should be careful not to keep getting in their hair.

Undoubtedly, there is a great deal of good sense in this. There is equally good sense in another polite dig that the report makes at the politicians—and one that is especially topical at this time: the committee is all against "attempts, at moments of inflationary pressure, to impose short-term 'economies'" in current Government expenditure. These "are rarely successful and sometimes damaging"; they are "frustrating to efficiency and economy in the running of the public services."

But, when all this has been said and fairly granted, and when tribute has been paid to the high value of much of this report, the main problem of watching over so many thousands of millions of pounds of public money remains. Perhaps the best solution would be to have some such body as the Plowden committee set up to review the situation and the mechanism every seven years or so; but next time to make it even more an outside, and less an internal, committee; and all the time, instead of tending to hide both improvements and weaknesses under a bushel, to lay much more information about trends in the expenditure of taxpayers' money, and about internal audits of efficiency in spending it, frankly before the public.

NOTES OF THE WEEK

BERLIN

In the Web

WE are in danger of becoming prisoners of our own pronouncements," the Foreign Secretary told the Lords on Wednesday, discussing Berlin, "and of a rigidity growing up from which no one can escape, and which might possibly lead the world into war." This kind of sensible talk is liable to be represented nowadays as feeble shilly-shallying. As President Kennedy made clear at his press conference on Wednesday, there is a mood of irritation among the western allies at the length of time it took to agree upon the latest salvo of western utterances. These were the replies, delivered on Monday, to Mr Khrushchev's Vienna memorandum of June 4th about Germany and Berlin.

Neither of these broadsides has served any purpose but to imprison each side a degree more tightly in its own web of argument. Mr Khrushchev's promise of a separate peace treaty with the east German regime by the end of this year seems to have become inescapable. The West's commitment to maintain both the liberties of west Berlin, and its own presence there, was inescapable already. But the dispute

is really about something different, and this, presumably, is what made it hard to formulate the western replies. Mr Khrushchev does not threaten, in words, to interfere with west Berlin's liberties or with western access to the city. What he threatens is to hand the matter over to Herr Ulbricht's regime, which, in turn, disclaims any intention of obstructing anybody.

It is here that the West is imprisoned by its past utterances: as the American Note reiterated on Monday, the east German government "is not representative of these people" and therefore "cannot be regarded as an independent sovereign state." Therefore there can be no dealings with it. There are many parts of the world where such a doctrine would bring diplomacy to a standstill. In Berlin, it obliges the West to rely on vague threats of force to meet a situation as yet shadowy and hypothetical. This week's Notes have not, in fact, made matters any worse; if they leave uneasiness behind them, it is because the course of action to be followed by the western powers, when their difficulties come upon them, remains shrouded in perplexity.

THE ECONOMY

Playing Chuedo

IN the past week there have been six speeches by ministers who must know what Mr Lloyd is going to do next Tuesday. Inevitably, they have set off a national guessing game. The one common feature to all of them was a claim that "things have been too easy in the home market" and that "home demand is rising very fast"; one doubts if this last statement is necessarily true, but there is here a clear implication that the cuts to be laid on the domestic consumer will be pretty heavy. Everybody now seems to be expecting the Chancellor to increase all indirect taxes by up to 10 per cent.; this expectation was heightened on Tuesday when Mr Lloyd went out of his way to deny that consumer taxes are already unfairly high. Until Tuesday most people had assumed that the payroll tax regulator would not be used, but then Mr Maudling (followed on Wednesday by Mr Hare) included a passage about the need to encourage industries that have surplus labour to release it much more quickly to those that have unfilled vacancies and full order books. Other

points in Mr Maudling's speech were that, unfortunately, he does "not believe in unilateral tariff reductions," but that our negotiators at Gatt have been instructed "to aim at getting for industry generally the maximum reduction in our protective tariffs that we can hope to be paid for by other people reciprocally"; and that, fortunately, he is "sure that quotas and import restrictions are wrong."

At Hawarden last weekend Mr Lloyd talked about his measures being "unexpected" as well as unpopular, and Mr Macmillan's semi-private speech to Tory backbenchers the previous Thursday twanged at the same note. Inevitably, this attracted attention to Mr Maudling's remarks on Tuesday that while wages were over 7 per cent up on a year ago ("faster than can possibly be justified by the rise in productivity"), dividends were up by 23 per cent ("far too high by any reckoning whatever"). But it was not very clear whether Mr Maudling was saying here that the Government could not legitimately do anything directly about wages (he talked later about "tragedy if we abandoned... social and economic freedom"), or whether he was presaging dividend controls. The most common interpretation was that the Government is going to ask for a "volun-

tary" freeze all round. Oddly, in the Lords on the previous day, Lord Hailsham had chosen to cite a different selection of figures about recent movements in incomes ("between the first quarter of 1960 and the first quarter of 1961 profits actually fell by as much as 6½ per cent while wages and salaries during the same period rose by 8½ per cent"). Lord Hailsham also stressed the need for "fairness," but added that "while profits are, in fact, at least controllable in principle by an appropriate instrument, that is by taxation, . . . no appropriate instrument for the direct control of wage and salary increases has as yet been devised."

All the ministers referred to the need for encouraging competition and overcoming restrictive practices, but on Wednesday Mr Lloyd's usual distinction between long-term and short-term measures seemed a little blurred. In the past, he said, "when we have averted a short-term crisis, we rather tend to sit back and congratulate ourselves," and that was not going to happen this time. It is to be hoped that Mr Lloyd's definition of "long-term measures" does not mean "short-term restrictions for ever."

THE GOVERNMENT BENCHES

Tories before the Squeeze

THE Conservative parliamentary party, like the Prime Minister, is anxious but not demoralised. Some of the new members who have not got the memories of 1957 to console them are a little rattled, but the old hands have seen it all before and accept the situation with a certain cynical gratitude that it has all happened now when the election is still two or more years away. There are no signs of panic, only some of neurosis; hence the querulous and insistent demand for "leadership." Economics is not the average Tory backbencher's strong point, and it is therefore difficult to interpret what the party as a whole wants. But, in general, the most puritanical demands for "stern measures" seem to come from only a vocal minority; the majority, although prepared for a sacrifice of orthodoxy, do not really want a panic-stricken return to restriction, but will probably first follow obediently wherever Mr Lloyd leads.

Mr Lloyd still holds all the cards in his hand. His budget could hardly be as popular as it once was, but his own personal stock, despite the appalling insensitivity of his speech on Tuesday, has not been devalued. By contrast to Labour hoots and jeers, the Tories received Mr Gaitskill in what was almost a respectful silence as he savaged the

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Government with Mr Macmillan's former slogans. The Prime Minister's prestige has certainly ebbed; the previous sublime faith in his judgment is impossible to detect and difficult to remember; but it would be absurd to conclude that the party as a whole had lost confidence in him. Certainly the Commonwealth lobby, who have never liked him anyhow, have been heartened by the ambiguous results of the recent high ministerial flittings. But if, as seems likely, what has really happened is that the white dominions have agreed reluctantly to a British approach to the Six, most Tories assume that the Cabinet will back him and that there will be no real party split. Berlin, of course, looms ahead, but here Tory anxieties are cosmic rather than partisan. The party's future—and this is the extent of its vulnerability—now probably depends more on Mr Selwyn Lloyd than on the Prime Minister. If his measures succeed in putting the economy on a secure basis for the long term then he will restore at a stroke the country's and the party's and his own fortunes. If he fails, all three will go down together.

NORTH AFRICA

Bizerta Bombshell

PRESIDENT BOURGUIBA'S motives for firing on the French naval base at Bizerta—assuming that his subordinates, panicked and angered by the appearance of French paratroopers, have not exceeded his instructions—can only be guessed at. At first sight the simplest hypothesis must be that he has suffered from a total loss of judgment, which the French commanders appear to have found infectious. This quarrel has flared up over a long quiescent grievance, outstanding since 1956, and subject to a gentlemen's agreement that the matter would not be raised until the end of the Algerian war. The moment is ill-chosen in view of the Franco-Algerian talks, which began again this week and require the utmost harmony between all parties involved in North Africa. The affray of Bizerta is therefore unlikely to improve Tunisia's already strained relations with the Algerian nationalists (which are discussed in the following note). Finally, Tunisia has resorted to violence without anything like sufficient justification. It is hard to think that President Bourguiba will cut a very impressive figure at the Security Council, to which he has now appealed; and it must earnestly be hoped that he will manage to extricate himself from his adventure as soon as possible.

The beginnings of a theory to account for so strange a blunder on the part of so sage a statesman do, however, exist. As the months since their Rambouillet talks have gone by without producing any real progress towards the end of the Algerian war, and without any French gesture to reward the Tunisians, President Bourguiba has increasingly felt let down by President de

NOTES OF THE WEEK

Gaulle. He has been attacked as a tool of the colonialists. Anxious, perhaps, to find some way of demonstrating, both to the French and the North Africans, that, in his own words, "I am not de Gaulle's crutch," he has seized on the ever present pretext of Bizerta. But it is clear that he has gone too far. General de Gaulle will hardly be prepared to make concessions now that so much blood has been spilt if he refused to do so when threatened by the Tunisian mob. He has never appeared to question Tunisian sovereignty over the base, so he can assume all the airs of injured innocence. Just now, any French retreat over Bizerta might strain the loyalty of the navy, which stood by the general during the April mutiny, and would serve as a precedent for the surrender of the Algerian naval base of Mers el Kebir, which he wants to keep.

Saharan Spanner

LINKED with President Bourguiba's Bizerta demand is one for some 11,000 or 12,000 square miles of the Algerian Sahara to the south-west of Tunisia; he claims that this area was unilaterally appropriated by the French in 1910. He now asks for it back, citing a Tunisian-Algerian agreement of 1901, and states that he is not prepared to negotiate a final frontier settlement with anyone except an independent Algerian state. But he has also said that he does not think that all the Sahara should be Algerian, and he made derogatory allusions to the patriotism of the Algerian leadership in his speech on Monday. The provisional Algerian government counter-attacked with a communiqué expressing regret at President Bourguiba's language, and restating its claim to all the Algerian Sahara. The quarrel between the allies was made palpable when not a single Tunisian minister was present to see the Algerian delegates off for Thursday's resumption of the Evian talks.

This evidence of Maghrebian disunity can hardly be called timely in view of the resumption of the Franco-Algerian negotiations; but its harm to the Algerian cause is perhaps diminished by President Bourguiba's remark that the French have no claim to sovereignty in the desert—which is the Algerian contention. It remains, however, hard to see why the Tunisian president chose to throw this particular spanner in the works at such a time. He may be convinced that "an independent Algerian government" would make no concessions over the Sahara—this would explain his hostile remarks. Or he may hope to jolt French and Algerians alike into arriving at some compromise, internationalising agreement about the future status of the Sahara; or he may merely want to reserve Tunisia's right to a voice in any permanent North African settlement.

It remains probable, however, that in the long run President Bourguiba will have achieved little by his move; and it is certain that the prospects of Algerian peace still

depend on what new thoughts, if any, General de Gaulle has had since he suspended the Evian talks. In this respect it was encouraging that General de Gaulle did not mention the Sahara in his last television speech. Perhaps one, at least, of the interested parties has decided to try for what he can get rather than to stick out for everything he would like.

KUWAIT

Arab Courtesies

AS the Arab League renewed its discussions on Kuwait on Thursday the ruler of Kuwait had before him a report of the United Arab Republic's attitude. This statement appears to have been sent to him after the visit to Cairo of the Kuwaiti mission under Sheikh Jabr al Ahmad (the ruler's likely successor) and was reported in *Al Ahram* on July 17th. According to *Al Ahram*, the Arab Republic pays tribute to the ruler for never having before—neither at the time of the Suez crisis, nor the Lebanon and Jordan landings—allowed British troops on his soil.

The statement recognises that when the Iraqi claim was first made "the danger



threatening Kuwait . . . was an immediate one." British forces, it urges, must forthwith be replaced by Arab ones, while Kuwait strives to join the Arab League and the United Nations. But any suggestion that Kuwait should surrender some oil revenues, as security for Arab support, is repudiated. Cairo does not offer to lend its own army, thus attesting not only the now approved Arab principle that Arab countries bordering Israel should not do so, but also its own desire to avoid provoking the sensitive Iraqis. Thus the hard facts are faced in a conscientious way.

General Qasim, meanwhile, in his July 14th orations, flew some kites which, could they be brought to earth in a calmer political atmosphere, would make economic sense. These were his allusions to extending the Baghdad railway to "our port in Kuwait" and building a canal to carry to Kuwait the waters of the Euphrates. Both are well-rehearsed ideas and only seemed cryptic because uttered out of the blue.

They simply refer to the schemes for developing Iraq's new port, a mile from the Kuwaiti frontier, and for irrigating southern Iraq. Construction of this port, Umm Qasr, was begun this year. Designed to reduce Iraq's dependence on the Persian-shared Shatt al Arab, the first plans envisaged—ideally—a small overlap into Kuwaiti waters. The Russians are now handling the rail link; the port, amongst many useful functions, could facilitate Kuwait's own trade.

The companion project to bring water south from the Euphrates is still no more than a paper one. Nor is it to be confused with earlier plans to pipe drinking water to Kuwait from the Shatt al Arab—a neighbourly offer that Kuwait, for fear of its neighbour's motives, has steadily refused. The canal plan is, on the contrary, primarily horticultural—a means of repeating the pattern of cultivation round Basra in the whole southern corner of Iraq. The extension to Kuwait of such a prospect of greenery could obviously have great attractions: many Kuwaitis already have summer homes round Basra for the sake of its shady orchards and murmuring streams. That Basra should be brought to Kuwait may sound as portentous as Burnham Wood coming to Dunsinane. And yet it would be pleasant and feasible, if ever political good will could be established.

ARAB WORLD

Political Prisoners

AGAIN the bell tolls for democracy in the Sudan. Before setting out on his state visit to Moscow on July 17th General Abboud locked up fifteen political leaders. Two are former prime ministers, the rest prominent members of the old political parties, which are all officially banned. By contrast, General Qasim in Baghdad made the anniversary of Iraq's July 14th revolution an occasion for releasing six old school politicians, indicted for pre-revolutionary



The bellringer: General Abboud

NOTES OF THE WEEK

offences. These include four former prime ministers. Such political prisoners as remain in Iraqi jails are those who, like the Nasserist Colonel Arif, were convicted of subversive activities after General Qasim came to power.

These arrests and releases reflect the respective strength and weakness of the western-type liberal virus in either country. In Iraq it is dead. General Qasim, torn in the conflict between Nasserism and communism, has little to fear from the errant pre-revolutionaries, those plodders along western paths. In the Sudan, on the other hand, liberal aspirations are alive and kicking. And the military regime has been finding the kicks of a concerted opposition rather rough. This opposition fused in June, 1960, at the call of Sayid Siddik el Mahdi, the religious and political leader, whose following is great, if not altogether predictable, and who is himself, by family and religious tradition, a little above the law. Nearly all the former parties then combined to appeal for a return to democracy; and they have recently worked to such purpose as to bring about a big railway workers' strike last month. Hitherto the battle has been waged in an overt, almost gentlemanly manner. But now the gloves are off. General Abboud has challenged the Mahdi, who remains at large with his family, the ex-officio head of a democratic leadership whose tail has been rudely cut off.

GERMAN TROOPS

Occupational Resistance

THE organised clamour against German troops coming to train in Pembrokeshire has begun to fall into the familiar pattern: a minority demonstration in the Commons (where 12 Labour MPs divided the House on Wednesday night), protest marches in the nearest large industrial towns and acquiescence (partly with an eye to the main chance) in the countryside directly affected. This was true of Clydeside's reaction to the Polaris submarine base in the Holy Loch, and it is what is happening in South Wales now. Last week-end Cardiff saw a cluster of Labour MPs on the platform and a muster of some five hundred demonstrators in the street. But Haverfordwest, more directly concerned, heard its Labour member, Mr Desmond Donnelly, categorise the protesters as puppets of a foreign government whose aim was to disrupt the western alliance at a critical time. The Castlemartin area, which will actually receive the first German tank battalion to use the War Office firing range there, has been content to ruminate on what its unemployment figures might be if the range were to go out of business.

It would be wrong to discount the sensitivities and anxieties which the arrival of 600 German troops will arouse in Wales: this is understood perfectly well in west

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Germany itself. But the simple fact of the matter is that alliances which this country has accepted have to be honoured, whether this means keeping the contractual number of British troops in west Germany or providing (at Nato's request) training facilities for German forces here. Fifteen years after the end of the war, there is no reason why either should be considered in any way an army of occupation. Western defence depends on progressive military integration among its members—as Wednesday's announcement of the Midas tracking station to be set up in Cumberland has emphasised once more. The German formation is coming this autumn as an experiment; if the unit is on its best behaviour its hosts should make the effort to be too. In France (where occupation is a word with some meaning) German troops have neither caused nor aroused any fracas except among professed communists. If the Germans encounter gratuitous provocation or disturbance in South Wales Mr Donnelly's opinion of the current campaign is liable to win substantial credence.

ARMY STRENGTH

Profumo's Plug

ALTHOUGH the Secretary of State for War exudes mild confidence that the army will reach its basic target of 165,000 men by January, 1963, he is still wisely raising his inducements to the troops. Mr Profumo told the Commons on Wednesday that regulars with nine years' service or less who sign on for another three years before next May will get a bounty of £200. This may look an attractive sum, particularly to men who are unlikely to have an immediate civilian job awaiting them. Every 5,000 men that Mr Profumo retains in this way will cost the country an extra £1 million, but they would still be at a bargain price compared with training the same number of raw recruits from scratch. The Minister should certainly do better than he did with the (appreciably lower) bounties offered to national service technicians.

The second new bid is to improve service conditions in west Germany. A further 8,000 married quarters are to be provided for BAOR in the next three years: this will double the present number. Since the Chancellor is likely to look askance at requests for substantial capital expenditure, the new quarters are to be rented from German contractors. The signs are that the services do not expect to feel the full weight of Mr Lloyd's axe on their overseas accommodation programmes. Free leaves in Britain for single and unaccompanied married men stationed in Germany are also to be increased. This is another of the minor, but sensible, measures that may now be beginning to plug the army's wastage rate.

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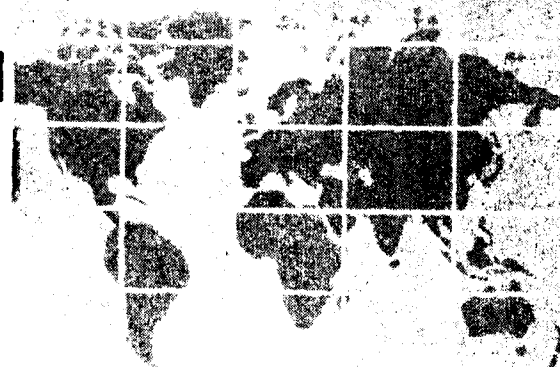
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compared with the same three months of last year. The need is now recognised to be to get these new entrants safely over the initial hump of basic training, when the change from civilian life is liable to be most

apparent. Even so, the real test is whether the army will attract enough technicians and tradesmen to satisfy its rising demands in the coming years. In this sphere selective service could still be necessary.



THE PAPACY

Taking Sides



POPE JOHN, who on his election was so invidiously hailed as "a caretaker" pope, has once again made history by issuing the longest encyclical (over 20,000 words) ever to come from the Holy See; in it he makes an urgent call to the richer communities of the world to help those countries which are struggling against hunger and poverty. *Mater et Magistra Gentium*, although just published, is dated May 15th; it is plainly intended to bring the church's social teaching, which received its first modern formulation on May 15, 1891, in Leo XIII's *Rerum Novarum*, up to date.

Broadly speaking the encyclical represents a shift to the left in the church's attitude, and ranges the Vatican against the dying cause of colonialism and on the side of the newly emergent nations of Africa and Asia. Emergency charitable measures to help these nations are scouted by the Pope as of little use, and he calls for a full-scale, permanent, multilateral co-operation, to develop education and technology and supply the capital required for the economic development of poorer countries. The Pope is emphatic that aid should be without strings, and that the old colonialism should not be re-established in a new form. Sharing of world resources was the subject of Pius XII's first encyclical *Summi Pontificatus* in 1939, but the stressing of the autonomy of the former colonial territories is new. Science is praised for its part in raising living standards, but its use to provide "terrible instruments of ruin and death" deplored. Notably there is no condemnation of nuclear weapons as such, which some churchmen have been pressing for, and which would place considerable strain on the close understanding that has been established between the Vatican and Washington.

Socialism is discussed, with an important shift from the qualified condemnations of earlier popes, made in *Rerum Novarum* and in Pius XI's *Quadragesimo Anno*. Socialisation is now positively approved, provided there is no abolition of the right to private property—of which there should be "effective distribution amongst all classes." The

encyclical ends, as is suitable for a Pope from a *contadini* family, with a declaration that urban development should not be allowed to thwart agricultural prosperity. British farmers, as they peruse the encyclical, will be pleased to see that the Pope supports price protection for agricultural products.

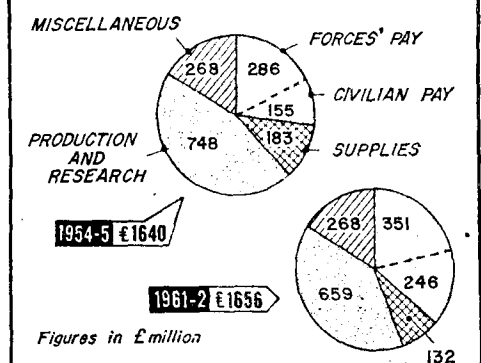
Counsel of Silence

POPE JOHN'S enthusiasm for his projected Ecumenical Council continues unabated, and the date is now confidently predicted as January, 1963. This is a year later than expected, a delay due, not to machinations of members of the Roman curia, but to the German bishops, who personally asked the Pope to postpone the opening so that they could give further consideration to questions on the agenda. The council will essentially be a domestic affair of the Catholic church, and it is still undecided whether observers from other churches will be invited. If they are, an invitation is more likely to go to the professors of theology at the ancient universities than to members of the Anglican bench. Interest in the Church of England continues in Rome, and there have even been complaints that Dr Fisher's visit to the Pope has switched ecumenical interest in the Vatican away from the Orthodox towards Protestants. Canon Pauley, the Archbishop of Canterbury's personal representative in Rome, has established very cordial relations with Cardinal Bea's secretariat for Christian Unity. The Vatican's handling of the press has not been so happy. Archbishop Felici, who is in charge of the preparatory work for the council, has instructed journalists to avoid "any incompetent intervention in the preparation of the council," which they are to approach with "respectful silence." This hardly squares with the Pope's own statement a week later to the World Union of the Catholic Press, stressing "the importance of the press in creating a climate of public opinion favourable to the aims of the council."

Loose Wires

THE really important moves concerning the Electrical Trades Union this week took place outside the union's uneasy and self-exculpating conference at Southsea. (Whatever the difficulties of Mr Byrne, popped into the general secretary's hot seat by the judge's award, he could do little to alter the realities of power among the conference delegates, over 200 of whom, out of a total of 364, were the long-familiar shock troops who support the communist leadership.) But away from Southsea trade union MPs have been searching around for an attitude to the various projects for a reform of trade union legislation; communist spokesmen have simultaneously declared their solidarity with the ETU's leaders and denied that their party would ever condone electoral malpractices by its members. The vital fact, however, was the summons issued by the TUC general council to the union executive to meet it on Monday. At present the executive, backed by a conference vote on Wednesday, is balk-

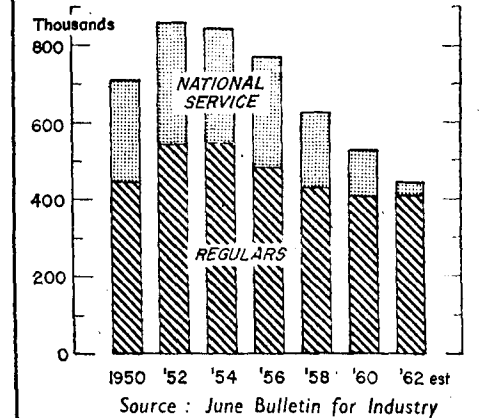
DEFENCE COSTS



Defence expenditure has been about £1,640 million a year since 1952. It was 7.4 per cent of the gross national product in 1950, rose to 11.2 per cent in 1952 largely because of the Korean war, and has gradually fallen to 7.4 per cent in 1960.

In spite of an overall reduction in manpower from 846 thousand in 1954 to 485 thousand in 1961, forces' pay has risen from £286 million to £351 million.

MANPOWER



ing Mr Byrne's every move: the TUC, egged on by Mr Hare, naturally wants to show that it can itself do something to put its constituent bodies' affairs in order.

But the TUC's only available sanction would seem to be to expel the ETU and to try to foster a new electricians' union within the fold. Such an action would be anathema to most trade unionists, and American experience with the Teamsters suggests that it might also be unsuccessful. Mr Byrne himself has said that he does not want it—for one thing, it might mean that the present ETU's large funds would thus pass back into communist control. Perhaps the best hope for a sane outcome is that the union rank and file will elect some new faces to the executive in September. The TUC's most useful contribution would be to ensure that these elections get the maximum publicity, and that the count receives impartial scrutiny. If it cannot ensure this, and one should not necessarily blame it if it can't, then even Mr Hare has intimated that he may at last recognise that the case for new trade union legislation is overwhelming.

SINGAPORE

Warning Signs

Too much ought not, at this stage, to be read into the defeat of the ruling People's Action party in the Anson by-election in Singapore on July 15th. Mr David Marshall, who was Singapore's first chief minister, and whose victory marks the turn of his political luck, was wildly premature in calling for the resignation of "Emperor Lee Kuan-yew"—the prime minister—although, as a victory cry, his outburst was pardonable.

There are, however, useful cautionary lessons to be read in the result. One is that, contrary to previsions, Singapore is not yet ready to vote for right-wing candidates, as it was under the more restricted



Mr. Marshall: luck turning

NOTES OF THE WEEK

colonial franchise: the new Singapore Alliance formed by Tun Lim Yew-hock, another ex-chief minister, polled only 1,482 of the 8,500 votes cast. Another lesson lies in the growing power of the trade unions to influence politics, for Mr Marshall's Workers' party was stridently supported by unionists hostile to Mr Lee's basic policy of making sure that his generally anti-colonial speeches do not scare away the business on which Singapore's prosperity depends.

The burden of the unions' attack, led by Mr Lim Chin-siong, formerly one of the wilder fellow-travellers in the PAP, is that the government has lost its anti-colonial fervour. For the sin of knowing which side Singapore's bread is buttered on, Mr Lee has indeed seen his parliamentary strength whittled down by about a quarter, until he now has only 31 reliable members in the Assembly, compared with 43 when he came to power two years ago. He still has an absolute majority of twenty, however, and the PAP trailed Mr Marshall's party by only 546 votes in the Anson by-election.

Now that Tunku Abdul Rahman fully realises the value of Mr Lee, however different their politics, the best outlook for stability in Singapore will lie in a speedy conversion of the Tunku's dream of a greater Malaysian federation—linking Malaya, Singapore and the Borneo territories—into reality. If the matter is allowed to drag unreasonably, Mr Lee, who has pledged himself to eradicate colonialism by 1963, may be either swept aside, or tempted to compete with the lunatic left in irresponsibility.

SUNDAY OBSERVANCE

Mr Butler's Vessels

THE Home Office's announcement that a departmental committee is to be set up to examine the antiquated laws on trading, sport, and entertainment on Sunday is very welcome. The legal jungle dating from the seventeenth century should afford its members some happy hunting. Why, for instance, should fish and chips be freely saleable everywhere on Sundays except at a fish and chip shop? Why does cooked (or partly cooked) tripe enjoy a privileged sales position while more sophisticated foods are banned? Cream may be sold but not in a tin, unless it is clotted cream which is saleable whether in a tin or not. Fodder for donkeys can be obtained provided it is sold at an hotel or stables. Fodder for humans can be brought to a shop and cooked there, but unlike donkey food must be consumed on the same day. Hairdressers may not ply their trade on Sundays but the mentally weak may summon them to cut their hair at home. Assemblies of spectators to watch sport outside their parish are punishable with fines of 3s. 4d. each, but within the parish they are safe—provided, of course, they are not watching bull-

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baiting. Sunday even affects the majestic operation of the law: writs may not be issued, and prisoners, if due to be released on a Sunday (or Christmas Day or Good Friday), are let out the day before.

Mr Butler may have been so confident that the ridiculousness of the law speaks for itself that he felt he could afford to include in his committee a number of persons who are not exactly zealots for reform. He may also have calculated (probably wisely) that changes will be more acceptable to sabbatarian opinion when first recommended by such exemplary vessels. According to the members' advance billing in the press, Lord Crathorne (formerly Sir Thomas Dugdale), the chairman, is a mild churchman, and he is flanked by Mr John Arbuthnot, the Tory member for Dover, who is a very keen one. Mr Chuter Ede is a unitarian but also a sabbatarian, and Mr W. A. Morrison, one of the printing trades union officials, has been taken to represent similar persuasions. Of the others, Mr Peter Rawlinson (who is a Roman Catholic) is likely to lead the liberal wing, supported by Mr Norman Pentland, who spends a busy Sunday conferring with his constituents at Chester-le-Street, and Miss Sylvia Fletcher Moulton, who is a practising Anglican and approves of gardening and entertaining on a Sunday, provided it does not disturb other people. The last member of the committee is Mr Robin Huws Jones, who is both a Welshman and a sociologist, and whose attitude therefore is unpredictable.

EDUCATION

Time for Experiment

EXPERIMENT is essential to the educational system, and it is something which British schools have often been too unwilling (or unable) to attempt as they should. Now avenues are opening up. Sir David Eccles, confronted by the massive demand for a lower leaving certificate for sixteen-year-olds who cannot reach GCE standards, has reluctantly given way. But, as he told the Commons on Monday, much more knowledge of this type of examination is needed, and he intends to use both the

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boy on the bridge



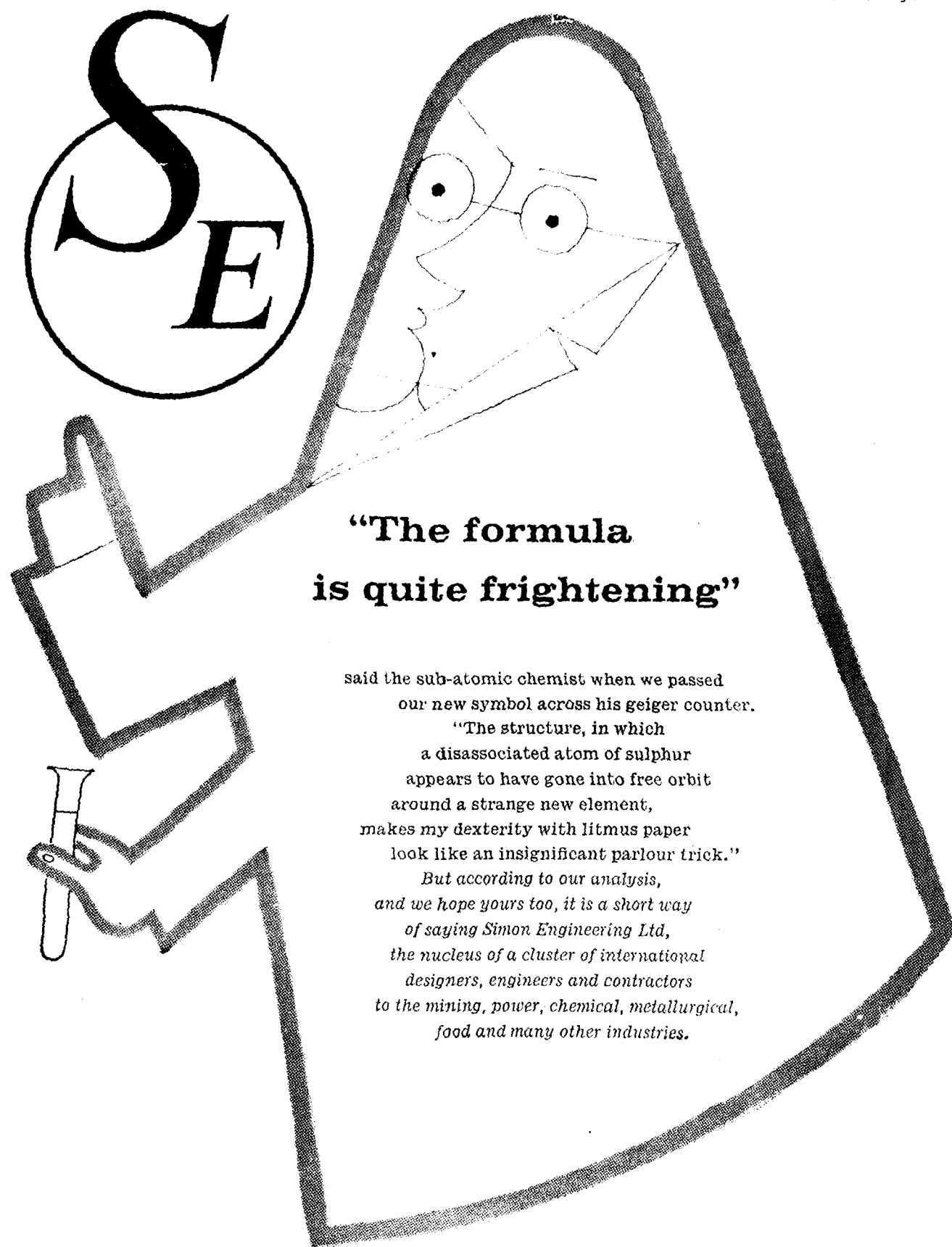
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advice of the Secondary School Examinations Council and a new research and development group inside his Ministry before deciding on action; no starting date for the new certificate has therefore been given. But a good deal of the onus now lies on those schools and authorities which have been participating in external examinations on their own to produce examination schemes that will improve the secondary modern syllabus, not disrupt or rigidify it. The Minister should insist on a number of pilot schemes before imposing general regulations.

A second experiment announced this week is the 43-letter alphabet devised by Sir James Pitman to help children up to the age of seven to read more quickly and rewardingly. This Augmented Roman style will be introduced at 24 schools in Staffordshire, Lancashire and Middlesex next term. Previous tests have shown promising results, most noticeably among the weaker readers for whom this phonetic aid is designed. (Any reservations about the idea stem from the prospect of some augmented letters turning up in secretarial spelling in a dozen years' time.) At the other end of the educational scale, an encouraging response is reported from the public and selective secondary school headmasters who have been invited to broaden their curriculum for sixth form work. These ABC schools (as they wish to be identified) will ensure that one-third of the periods for sixth-form pupils will be devoted to subjects other than those in which the pupils are specialising. This expansion of minority time, sponsored by 21 headmasters and Mr Boris Ford of Sheffield University, deserves sympathetic support, not least from the universities when the time comes to choose marginal candidates for places. While this is happening at the top, it will be disastrous if the trend in secondary moderns is now to concentrate on a group of "examinable" academic subjects with less regard for the "minority" time best suited to the pupils themselves.

AID AND ADVICE

Sharers and Planners

THE very poorly reported meeting which the ten-nation Development Assistance Group held in Tokyo last week was, presumably, its last. Come October, with the setting up of the new Organisation for Economic Co-operation and Development, the DAG is to become a committee of the OECD; all the group's members—the United States, Canada, Japan, Britain, France, west Germany, Italy, Belgium, Netherlands, Portugal—will also be members of the organisation. Once established in Paris with a permanent staff of its own, the development assistance committee may be better equipped to cut through the fog that still obscures the whole problem of burden-sharing in aid for under-developed countries. At present, lip service to the idea

that each advanced country ought to allot one per cent of its income to aid is hardly adequate; for one thing, the Tokyo meeting did not manage to define what aid is, and various "donor" governments' claims to be pulling their full weight would not bear much examination if any realistic definition were adopted.

Among specific items discussed in Tokyo was the proposal, tossed rather casually by Mr Kennedy into his address to the Canadian parliament on May 17th, that the OECD should set up a "development centre" for joint studies by officials and others drawn from both the advanced and the under-developed countries. There seem to be reservations, in Washington as well as in the DAG, about even this modest-sounding idea. Is there any chance for the more definitive project, lately canvassed by Mr Gustav Papanek* of Harvard and others, for an independent "Institute for Development Planning" that would send teams of advisers on economic planning to under-developed countries at their request?

The main argument for an independent institute is that the advisory services already provided by the World Bank and other international agencies are not always acceptable to the receiving governments, some of which might feel happier if they could get planning advice from competent people wholly free from connections with aid-giving agencies of any kind. It has been suggested that the new institute might ensure itself a reputation for complete independence and objectivity by having a kind of international consortium of universities as its main sponsors. Admittedly, the mere thought of adding one more organisation to the many already crowding the field of development aid and advice must evoke a few wincings, and not only in the Bank and other UN agencies. But it may prove that this is a real gap that needs filling; if so, it is likely to yawn wider as more and more emergent countries come to take their planning seriously.

* "A Plan for Planning." By Gustav F. Papanek. 25 cents. Harvard University Center for International Affairs.

CONGO

Sitting Tight

FOR a province that claims to be an independent African state, Katanga has odd friends—among them Sir Roy Welensky, Dr Verwoerd, and Dr Salazar. The source of inspiration for Katanga policy may not be directly traceable to these authorities, or to the Belgians who advise its ministers and run its army; nor is it certain that *Union Minière* has everything to do with it. On the other hand Mr Moïse Tshombe, head of the administration, is either a more devious politician than even his worst enemies say he is, or he is being prevented from being as receptive as he would like to be to overtures from Leopoldville.

Since his release from detention by President Kasavubu's central government seven

weeks ago, Mr Tshombe, according to all reports, has hovered between "yes" and "no" to invitations to send a parliamentary delegation to join others from Stanleyville and the rest of the Congo (including "King" Kalonji of South Kasai) in Leopoldville. This week Mr Tshombe was prevented from making a decision by a sudden attack of fever. Mr Gizenga of Stanleyville was similarly laid low, but he at least sent a delegation; and he is able to point to a statement he made on June 24th, expressing willingness to co-operate with the United Nations and the Leopoldville government. As evidence of good intentions, Mr Gizenga's administration released the eight Belgian soldiers captured when they crossed the border from Ruanda-Urundi in January. Mr Tshombe's troops, on the other hand, have once again clashed with the UN; and two were killed by Indian troops west of Albertville on Monday. The central government officers sent by General Mobutu from Leopoldville to take over the Katanga Army have, by all accounts, not yet been allowed to take up their duties in Elizabethville. In spite of his friends, however, Mr Tshombe cannot hope to remain in his present apparently strong position for long. If the meeting of the rest of the Congo's parliamentarians at Leopoldville proves a success, Mr Tshombe, sitting on his pile of copper, will be arguing with a united opposition. Further patience and firmness from the United Nations could make his position as the black ant of Congo unity even more untenable.

GAMBIA

Paper Serpent

ONE of those curled-up paper snakes that straighten out when puffed, smacking party-goers in the face, should appear on the Gambia flag if it becomes independent. Britain's first West African possession giggles across the map like a saucy joke on Africa and on colonialism.



A strip between seven and twenty miles wide, it runs 230 miles inland along the banks of the river Gambia. Most of its population of about 280,000 live in the backward Protectorate; 35,000 Gambians live in the 29 square miles marked out at the river mouth as the Colony. The Protectorate is jealous of the more advanced Colony, but no one has seriously proposed to give independence to each part separately.

What is proposed is that after the next elections, which are expected in February or March, the territory should assume full internal self-government; and then, by two

stages of nine months each, to full independence. There are also proposals for keeping the chiefs happy (but not as happy as if they were sheikhs) and for holding a balance of power between the Colony and the Protectorate. All this was put forward at a conference in May and will be discussed on Monday under the solemn chairmanship of the Colonial Secretary.

Gambia's mistress should be Senegal, in whose close embrace the territory lies. Fortunately, the main Gambia political parties seem to be just as much for "closer co-operation" with their French-speaking neighbour as they are for independence. Only one or two small groups say they want nothing but independence within the Commonwealth, or a link with Sierra Leone down the coast. As experience in the Southern Cameroons, even further down the coast, is showing, it is hard to unite an English-administered country with one brought up in the French tradition. But Gambia has already given in on several points: its motorists have agreed to drive on the right to avoid the confusion that arose when Gambian and Senegalese traffic shared the same road; and Gambia ministers serve on co-operation committees with Senegal ministers. Just in case the joke does go sour, both the British Government and the Senegal Government are continually saying that the choice is entirely up to a representative government elected by the people of Gambia. So far, this has always been said with a straight face.

PAKISTAN

Plain Spoken

A TICKER-TAPE parade through New York, and a state dinner at Mount Vernon with almost gaullist trappings of *grandeur*, might have served as adequate highlights of President Ayub Khan's visit to the United States. But the president of Pakistan is an unconventional head of state. His address to a joint session of both houses of Congress on July 12th was no

NOTES OF THE WEEK

mere reading out of a prepared list of pieties. Instead, he spoke from rough notes, and struck rougher ones. The legislators he was confronting were already sharply at odds over Mr Kennedy's foreign aid programme, the sharpest opposition of all being aroused by the request for five-year borrowing powers to help aided countries plan long-term development. President Ayub told this audience bluntly that, however tired they might be of aid hand-outs, "you had better not get tired." He got an ovation.

He was as plain spoken in his private talks with President Kennedy as in his public utterances. The talks were officially described as "frank and cordial;" cordial or not, there can be very little doubt that they were frank. Inevitably, the president of Pakistan took the opportunity to press for American support in the Kashmir dispute; equally inevitably, he was disappointed. His argument that Pakistanis are America's only real foul-weather friends in Asia runs up against the Kennedy Administration's keen awareness of the need to help "neutral" countries stand on their own feet. However often Pakistanis publicly express resentment at the United States' readiness to aid India without putting pressure on it, it remains true that they have as great an interest as anybody in India's success in its economic struggle. President Ayub Khan's plain words to Congress, spoken, it would seem, in the name of the whole under-developed group of countries, may well further the cause not only of Pakistan but of its big neighbour too.

SOUTH TYROL

Terrorists Miscalculate

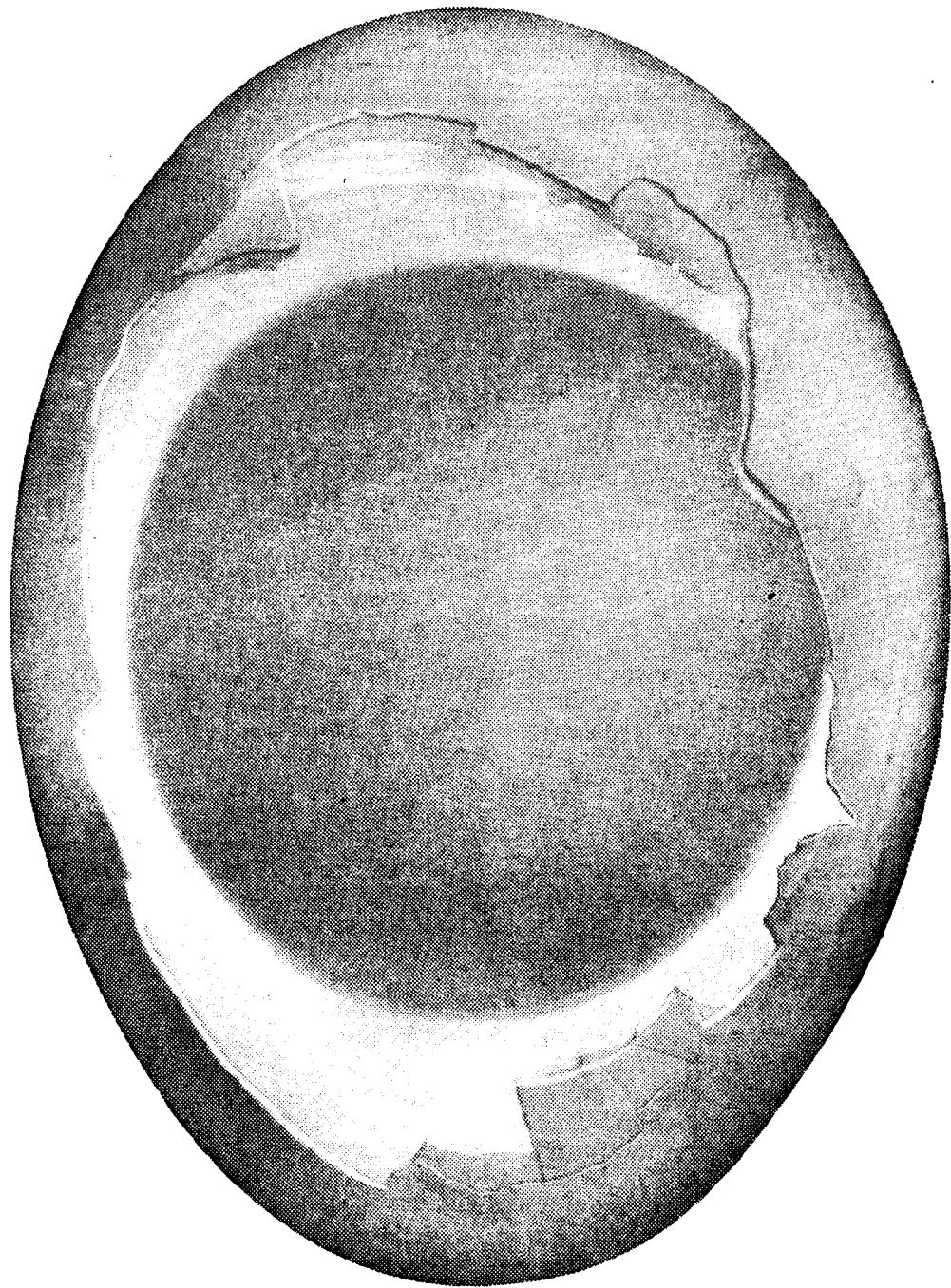
THE terrorists who have been sabotaging railway lines and electricity supplies in the Alto Adige (South Tyrol) are defeating their own ends, however much they may disrupt this year's tourist traffic to Italy. Their activities, which began some six weeks

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ago, have not aroused any noticeable response among the German-speaking minority in the Alto Adige. But they are, for the time being at any rate, effectively preventing the Austrian government from making any further attempts to secure separate provincial autonomy for this minority through bilateral talks with the Italians. If negotiations are resumed—as one hopes they soon will be—the terrorists will have made it easier for the Italians to resist the Austrian demands.

Vienna appears to be getting increasingly uncomfortable about the activities of the terrorists, who are fairly widely believed to be based on Austrian soil. Naturally it has dissociated itself from them, but the Italians are not alone in feeling that it might have done so more vigorously. On Wednesday the Austrians, who are strongly opposed to the Italian wish to take the matter to the International Court at the Hague, formally asked that the South Tyrol should be put on the agenda of the next session of the United Nations General Assembly. But they can hardly hope that the cool attitude of a large part of the UN to the Austrian case last year will be much warmer now.

The Italian government, on the other hand, now enjoys the moral strength of the injured party. In the Italian Chamber last week, Signor Fanfani very reasonably pointed out that there could be no search for a peaceful settlement while terrorism continued; he did not, however slam the door on further negotiations if violence ceased. At the same time the Italian government is making a vigorous effort on its own account to stamp out the terrorism. Italian visas have been reintroduced for Austrian visitors (this unfortunately impedes tourists as well as terrorists). The Italian police in the Alto Adige have been discovering large quantities of arms and explosives (1,700 lb of explosives in the course of five days); they have also made a number of arrests. It remains to be seen whether the terrorists will be deterred by police action; some (like the Sudeten Germans in 1937) may be more interested in blocking any kind of peaceful settlement than in reaching one.



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AMERICAN SURVEY

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Peace Corps in Training

WASHINGTON, DC

CONGRESS is now considering President Kennedy's Bill to establish the Peace Corps, the centre of so much controversy and publicity, as a permanent agency within the State Department on an initial budget of \$40 million. The Bill may get buffeted in the violent cross-currents which the debate on foreign aid is setting up. Moreover, the sectarian storm over aid to education has led to demands in Congress that the Peace Corps should not help or co-operate with any private organisation operating overseas that has a denominational flavour. Nevertheless, those who have been toiling on the pilot project which was established in February believe that Congress will install the Peace Corps as a very junior brother of the vast International Co-operation Administration which supplies experts and expertise in large quantities to the under-developed world.

To vote against the Peace Corps Bill will look like voting against American youth and American idealism and only very curmudgeonly southern Congressmen will dare to do that. Even Senator Goldwater, the leader of the right-wing Republicans, is claimed as a backer. Besides, the Peace Corps is at least designed to get certain things done, and done cheaply, which is just what many Congressmen criticise the foreign aid agency for failing to do. The cynics, though unconvinced, are saying little; the Republican opposition, though eager to play party politics, has noted that in the country the Peace Corps is one of the more popular Kennedy gimmicks.

The Peace Corps is not, of course, simply the dream-child of one of Mr Kennedy's election speeches. Its origins go back ten years; there has been much discussion of the idea and some voluntary effort to send Americans abroad for short periods to render personal service where it is needed. Proposals to create a "Point Four Youth Corps" were discussed last year in Congress, which authorised \$10,000 for a preliminary study by Colorado State University. The concept of an organised national service to enable young men and women to undertake skilled functions in under-developed countries in ways that the ICA cannot do has taken firm hold in many university (and religious) circles. When the task force to prepare the scheme was set up under Mr Sargent Shriver, it was manned by people with some ideas of what was wanted and some, if limited, experience of what it means to work in the bush, the outback and the up-country village.

Since then two things have become clearer: first, that a considerable number of graduates and undergraduates want to volunteer and second, that help from the Peace Corps is acceptable to almost every government to which it has been explained by Mr Shriver or



his aides in a series of exploratory visits ranging from India and Burma to Guinea and Ghana. From these have sprung a score of projects, five of which (in Tanganyika, the Philippines, Colombia, St Lucia and Chile) have been announced, and for which personnel has been selected. About 440 people will be needed, and some began their training at the end of June.

The objective of the corps is to provide talented (its own word) Americans to do needed skilled jobs at the level below that of the top experts: to sup-

ply the "missing link" in skilled and technical manpower in under-developed countries. But these volunteers are not to be sent out haphazardly; they are to be organised in teams to carry out specific projects in such fields as health, agriculture, construction and industrial work. Of the schemes already announced, that in Tanganyika involves surveying feeder roads and another in Chile the development of local communities. The volunteers are to serve for set periods of two or more years under austere but not primitive conditions. Their job will not be to advise but to do and to teach mainly by example; however, the provision of school-teachers as such will be an important activity of the corps.

WHAT might be called the "spiritual mission" of this entirely secular organisation is twofold. On the one hand it is to show in the process of supplying the much-wanted skills that Americans of college quality can work with local people as colleagues, equals and friends without superiority or material advantages to underpin them. On the other, its members are to gain an understanding of the minds and culture of the people they work with, thus broadening themselves and building up a pool of American know-how in foreign ways. The Americans thus hope to match, or rather surpass, the advantages of countries that have had a cadre of overseas or colonial servants. The quiet statement of the Peace Corps, when offering its services, that "gladly will it learn and gladly teach," like Chaucer's pilgrim, has been received with warmth, if some incredulity.

To achieve this there must be an adequate organisation in America and abroad (where the agents and "team leaders" of the corps will come under the Ambassador in each country); even more important is the correct selection and training of the people who are sent. Selecting for skill and competence is comparatively easy and on paper the corps has a nucleus of skilled workers and mechanics that any African, and many Asian, countries could put to good use. Selecting for character and suitability is harder. The psychologists have their tests for "emotional maturity" as well as for flair for languages. But reliance is placed mainly on the taking of extensive references combined with elaborate biographical data, and on a further weeding-out during actual training. Willingness to serve for little more than one's expenses and a gratuity, at the end, of \$75 for every month's service is a pre-

liminary screen for keenness. Training is to be arduous and is being devised by the universities that are the matrix of the idea. It will include local and area studies, brushing up skills, work in the needed languages, some "Robinson Crusoe" techniques, indoctrination in American democracy, and a physical toughening course in Puerto Rico; further training is to take place on location. One short but valuable course for those going to Colombia consists of instruction in how to load and ride a mule. The training will take three to six months.

THE Peace Corps plans to have 2,700 volunteers overseas by the end of 1962; at least 5,000 have taken the qualifying test out of the 11,000 who have applied, and applications are still coming in at the rate of 200 a month. The problem may seem, therefore, to be one of finding enough projects rather than enough volunteers, even though some thirty countries have shown an interest and ideas for programmes are developing fast. The real trouble is the nature of the skills which are needed. The corps now has a reservoir of minor technicians and graduates, but it appears that most of the skills in request abroad are scarce in the United States. Teachers—even leftist Ghana is ready to snap up American secondary school-teachers—are in short supply in America. So are doctors, nurses, medical auxiliaries and veterinary surgeons, largely because of the restrictive practices of the professional bodies. America is an importer (though also a trainer) of such skills rather than a supplier of them to the needy. Even in agriculture there are difficulties: American farms no longer need, and the colleges no longer train, the type of all-round craftsman who would be useful abroad—the type produced, for a largely bygone system of mixed family farming, by the land grant colleges started at the time of Abraham Lincoln. The Peace Corps believes that this sort of college is what is wanted abroad and it is thinking of offering to create a modified version for the under-developed countries. In all this, there is refreshing evidence of flexibility, courage and a readiness to make drastic changes which would cause a British academic to curl up.

But it would be foolish to assume that the Peace Corps can or should hasten to expand its overseas service. It may be wise to go slowly (if the involvement of the President's personal prestige allows this), since the agency can begin to accumulate its own expertise only when its first teams have been tested in the field (where the psychologists, of course, intend to visit them and take their mental pulse). Nobody knows how the volunteers will react to the rigours of the job; American cynics do not believe that they will be able to stand such a long separation from television and coca-cola and some observers prophesy that anxious mothers will soon be bombarding Senators for help. It may be true that the social and health hazards are being ludicrously over-stressed. But the mental strain of working for several years on or, rather, below the living standards of missionaries (American missionaries often have aircraft, freezers and cokes *ad lib*) but without the missionary theology or vocation can be much underestimated.

All this may be reminiscent of the Romans learning to sail triremes on land: but the Romans won the ensuing sea-battle with the Carthaginians. The organisers of the Peace Corps intend to forge this new instrument of foreign aid and influence against all odds, if Congress permits. Judgment can only await the event. Probably the greatest immediate hazard is not tropical disease or amateur organisation, but the press. Television teams are preparing to film (or fake) the heroes at work; journalists are taking the tests; publishers are trying to sign up volunteers to write their experiences. If this ballyhoo does not harm the corps this will probably be because its work will prove solid and unspectacular, with its joys and frustrations individual, and because its successes will be achieved in places uncomfortable to pressmen. Very much, as members of the ICA remark bitterly, like their own.

Bracing Talk

NEXT Tuesday night President Kennedy appears on television to tell Americans about the hazards which they face and the steps which the National Security Council decided, on Wednesday, should be taken to meet them. These hazards concern Berlin primarily but the Administration also fears that new crises may erupt—in south-east Asia, for example—while the attention of the free world and its military capacity are being directed toward eastern Europe. In Washington it is thought that Mr Kennedy may proclaim a limited national emergency; this would empower him to call up a million of America's 2.4 million ready reservists. It is also thought that the proposals which he is to send to Congress on Wednesday may include a request for \$3-\$4 billion more in military spending—an increase of almost 10 per cent.

Such moves would go some way towards satisfying the bellicose right wing, which is likely to break away from the general bipartisan support for the President only if it feels that he is taking too soft a line over Berlin. Such a demonstration of American resolve—the details of which were being put before the partners in the North Atlantic alliance this week—would also put pressure on America's allies in Europe to show that, however slow they have proved in council, they also are willing to take unpleasant steps in the present crisis. Finally, the President, who has been criticised for giving the country too little in the way of leadership, will be able to explain what sort of dangers America faces. His problem does not seem to be altogether one of ringing an alarm bell; surveys of public opinion suggest that most Americans feel that the risk of a showdown over Berlin—even a nuclear one—must be faced this year. But the President is seeking an alternative to the use of nuclear weapons which may require wider military service and heavier financial burdens over a considerable period.

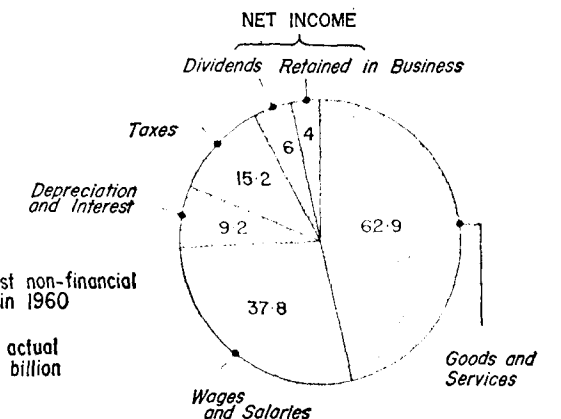
IN 1960 the hundred largest non-financial corporations in the United States had total assets of \$176 billion and revenues of \$135 billion. The list of firms, which is given by the First National City Bank in its monthly letter for July, includes 55 manufacturing concerns, 26 utility companies, 16 railways and 3 retail trading companies. The largest was the American Telephone and Telegraph Company, with \$22.6 billion in assets, the smallest the Erie-Lackawanna Rail Road, with \$698 million. Ten years ago it was possible to get into this list of top firms with a mere \$329 million in assets. Last year there were 54 "billion dollar" corporations compared with 22 in 1950 and 20 worth over \$2 billion each, compared with 5 ten years earlier. The hundred largest firms had an average investment of \$30,300 for each of their 5.8 million workers; their shareholders, without allowance for duplication, totalled 12.5 million.

Firms At The Top

Where The Money Went

The 100 largest non-financial corporations in 1960

Figures give actual amount in \$ billion



While preparing for military action if this becomes unavoidable, the President is not losing sight of the battle in Congress over foreign aid which will determine how effectively the United States can speed the progress and retain the friendship of the under-developed countries. The over-riding issue this year is whether Congress will make efficient long-term planning possible by agreeing to give the Administration permission, in advance, to spend over \$7 billion in development loans over the next five years. Mr Kennedy was sufficiently confident last week to reject one compromise. But the Bill will not reach the floors of the Senate and House for about three weeks. The President, forewarned, perhaps, by the way the House Rules Committee has killed his education Bill, has decided that it is even more important for him to win this vital battle in Washington than to go to Montevideo early next month to launch in person the "Alliance for Progress" which he hopes will mark an historic turning-point for Latin America.

Drought with a Silver Lining

THE July crop report, the most significant of the year, offers some badly-needed cheer to the Department of Agriculture but much of it is at the expense of drought-stricken farmers in the northern great plains. There more than a hundred counties have already been declared disaster areas, eligible for special loans and other aid. One reason why the total output from American fields is showing a sharp reduction this year is that the unusual dryness, and the ravages of the grasshoppers that come with lack of rain, in Montana, the Dakotas and northern Wyoming and Minnesota mean that the harvest of spring wheat is expected to be only a little more than half last year's 246 million bushels and the lowest since the era of the dust bowl. This is the grain used for high grade flour; durum wheat, for macaroni and noodles, will be reduced even more severely. Admittedly the winter wheat crop, forecast at 1.1 billion bushels, is likely to be the second largest on record but even so the total wheat harvest will probably be roughly equal to demand in the coming year and so for once will not mean an addition to the country's huge surplus.

In any case Congress is about to approve legislation which should cut wheat plantings substantially next year along the lines of the emergency programme for feed grains—maize and sorghums—which was introduced this spring and which is the other main reason why agricultural output is going down so satisfactorily this year. As a result of this programme farmers have reduced their plantings of maize to the smallest since 1882 and the crop, estimated at 3.2 billion bushels, will be 20 per cent less than last year's. To meet demand at home and abroad will mean drawing heavily on the government's stocks, now amounting to over 2 billion bushels. The scheme involves large payments to farmers for maize which they have not grown, enough in one case to buy a Cadillac car, a dramatic incident which was exploited by the city-dwelling critics of the Administration. Nevertheless the success of his feed grain programme compensates the Secretary of Agriculture slightly for his complete failure to convince Congress of the advantages of his imaginative and long-term proposals for putting farm policy on a new and—he hoped—less costly basis.

President and Press Gang

WASHINGTON, DC

WHEN Mr Kennedy was inaugurated as President he let it be known that he intended to maintain the many direct personal relationships with newspaper publishers, columnists and reporters which had served him so well as Senator and presidential candidate.

This delighted the pressmen—especially the upper crust with direct access to him—but the Cuban fiasco showed that private friendships would not give Mr Kennedy permanent immunity from newspaper criticism. From that time the press asserted its independence increasingly and in the last few weeks the gloves have come right off, notably with complaints about shortcomings in the organisation of the White House and the State Department, with particular reference to Mr Chester Bowles's failure to run the department efficiently. This attack mobilised support for Mr Bowles, the darling of the liberals. As a result and as happens so often, it has become impossible for the President to replace him as Under Secretary of State—if that is what Mr Kennedy wanted to do—at least for some time.

More serious are the allegations of presidential haverings between the tough and the soft lines over the Berlin situation. But the most disquieting aspect of all this is not the upsurge of press criticism, but the thin-skinned reaction of the President. After Cuba Mr Kennedy appealed to newspaper publishers for restraint on matters of "national security," an appeal which fell on closed ears, and in recent weeks the President has also protested to them about editorial fault-finding. To those who support him and the liberal Democratic line, he has even used words reminiscent of Mr Bevin's famous accusation of being stabbed in the back when he was Britain's Foreign Secretary. This hypersensitivity has extended to the foreign press; reports in leading British papers of indecision and disorganisation in Washington caused the White House not only grief but even a faint suspicion that Downing Street was involved in them.

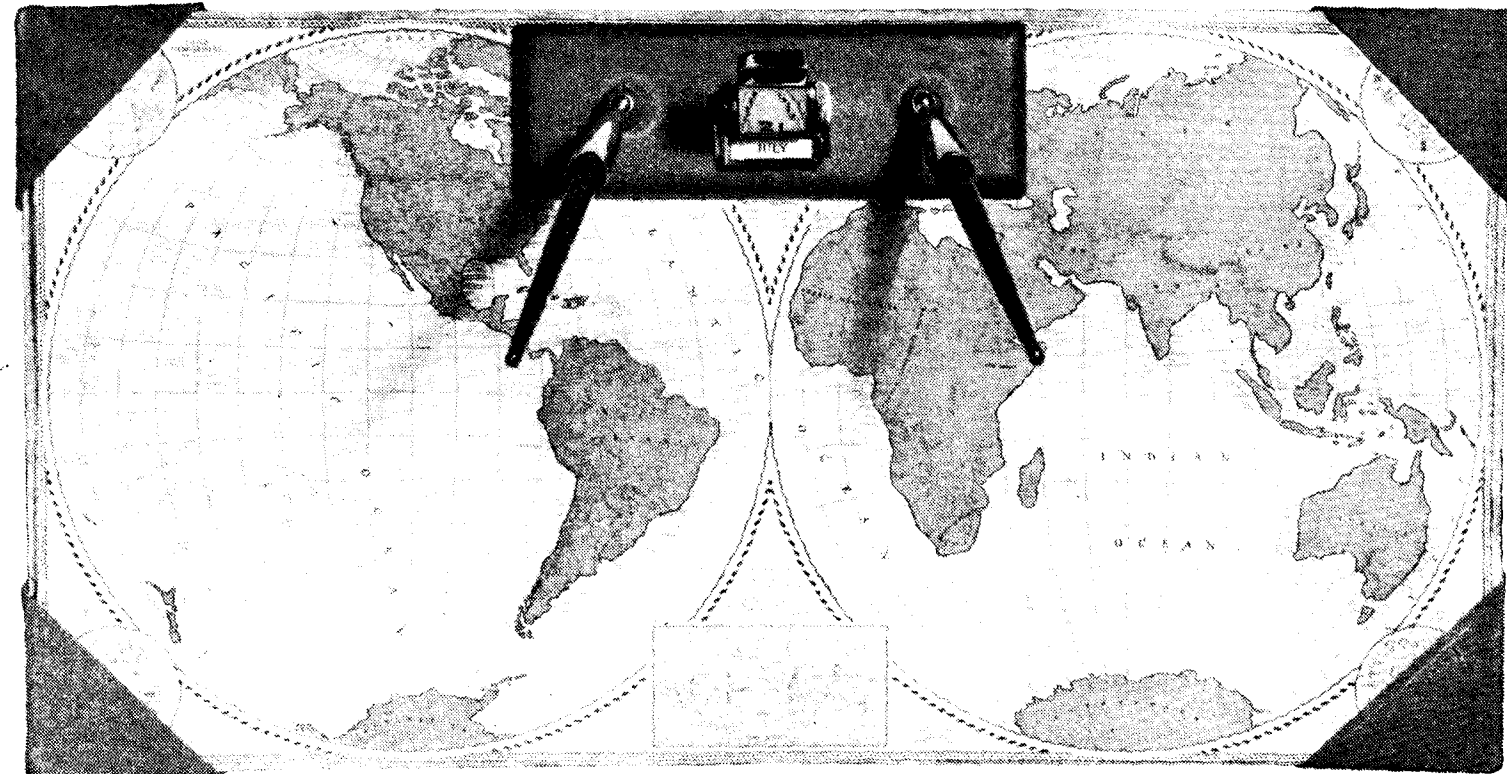
It is surprising that Mr Kennedy, who endured the usual hard knocks of the presidential campaign, should have imagined that he could keep the press in his pocket for any length of time. Such a notion points to a rash over-confidence in the early weeks of his Administration and to a grave underestimate of the troubles that lay ahead. Mr Kennedy is credited with the ambition—no unworthy one—of being classed with the great Presidents; certainly the hour is calling for the man. But surely he must see that events, whether shaped by himself or forced on him, will inevitably determine the tone of press comment; and he should know, too, that the decisions of a President must often await history for a true verdict. Misunderstanding goes with the office.

Electrifying the West

FROM A CORRESPONDENT IN COLORADO

THE first important battle in the present Congress over whether the government should move further into the production of electricity is being closely fought: last week the House denied, and this week the Senate granted, the Administration's request for \$95 million which would enable electricity to be generated from the heat given off by a plutonium plant which is being built at Hanford, Washington. Normally such heat is simply wasted. But if it were put to use in this case it would be sufficient to generate 550,000 to 700,000 kilowatts of electricity—several times as much as the biggest atomic plant now in existence in the United States, that near Chicago, which has a capacity of 140,000 kilowatts. As a by-product of the plutonium operations at Hanford the electricity would be produced cheaply enough to enter the pool of hydro-electric power in the northwest at the going wholesale rate and still make money for the government. The dual-purpose plant was authorised by Congress in 1958 over the objections of President Eisenhower, but no money has been provided for the electrical facilities.

Up to now steam generators—as opposed to hydro-electric dams—have been established by the government only in the Tennessee Valley and the proposal that it should produce electricity from



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Other Assets	3,946,614.64
	<u>\$277,267,172.39</u>

LIABILITIES

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Acceptances: Less Amount in Portfolio . .	23,306,177.72
Accrued Interest, Expenses, etc.	955,560.56
Capital	\$ 1,000,000.00
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nuclear energy has provoked the intense opposition of two powerful groups. The coal industry and its trade unions fear the loss of their markets and the private electricity companies view the scheme as a government foot in the door of atomic development and a dangerous extension of its operations in the field of generating and distributing electricity. In particular, they fear that the production of more electricity in the northwest, which is suffering already from at least a temporary surplus of capacity at its great federal dams along the Columbia River, will strengthen the case for a federal transmission system to carry this electric power to the markets of central and southern California. These lines, according to an official of the private companies, would "almost surely become the first link in a coast-to-coast federal grid tying in all the regional [public] power systems."

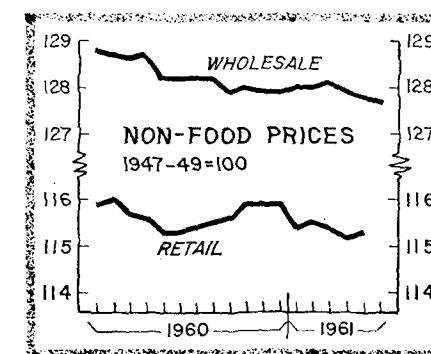
Such links would make economic sense. The peak in the demand for electric power ripples across the country with the

changes in the clock; furthermore, other savings in generating facilities may be possible by directing electricity to the south in the summer, for air-conditioning, and to the north in the winter to satisfy the growing demand for it to heat houses. But the private firms fear a big loss of markets if cheap federal electricity becomes available from the Tennessee Valley to the Pacific coast.

This is no idle fear. In February Mr Kennedy ordered plans to be prepared for such inter-connection of areas where the government sells electricity; a committee is to report on the feasibility of the line between California and the northwest by November 1st. Moreover, during his election campaign Mr Kennedy promised to reverse the Eisenhower policy of "no new starts" on federal hydro-electric projects which was designed to encourage private exploitation of promising sites; he also endorsed the building, by the government, of steam plants to supplement hydro-electric resources. In the past, even under Roosevelt's policy of favouring public

Why Prices are Weak

FROM A CORRESPONDENT IN CHICAGO



PARADOXICALLY, manufacturers' prices have been moving down as their output has moved up. After a decline last year and a brief recovery early this spring, the government's index of the wholesale prices of products other than farm commodities and food has slipped recently more than a full point below the peak reached in January, 1960. This index is based on 1,750 items and shows normally only the smallest fractional changes. Moreover, retail prices, which continued to rise through most of the recession, are now falling as well, reflecting this price cutting at the factory. The monthly index of the prices which consumers pay for non-food commodities—this figure also excludes the cost of services—dropped by what is, for it, a large amount this year.

Nor do these figures tell the whole story. Much of the price trimming takes the form of quiet concessions by manufacturers, especially where large orders are at stake, which do not show on published price lists. This activity came to light in May when the United States Steel Corporation and other big producers began announcing a series of price reductions for many kinds of steel, including reinforcing bars, some types of stainless steel and line pipe. Individually, none of these are major items, but together they are important to the industry. It was explained that price shading by smaller mills had eaten into the sales of the big concerns and forced them to cut their prices officially.

More recently there have been similar

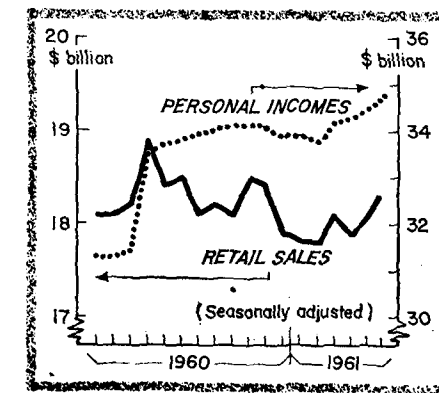
developments in many other materials and components—aluminium, insulation fabrics, chemicals, electric motors and shipping cartons, to name a few. Now purchasing agents for shops are finding that producers of consumer goods are also reducing their prices. Sears, Roebuck and Company, the country's biggest retailer of non-food items, and other large Chicago firms say that they are getting their merchandise for less in almost every department, from clothing to television sets. As a result, prices in the autumn mail-order catalogues are on an average 1½ per cent lower than a year ago.

This price shaving takes a variety of forms in addition to direct cuts. The huge Frigidaire Division of the General Motors Corporation in Dayton, Ohio, for example, is handing out \$25 as a "promotional allowance" for each of two models which it sells to retail shops, fully expecting them to deduct this money from the selling price of the refrigerator and spend not a penny more on promotion. Hence, a refrigerator that sold for \$278 in the spring now costs \$252. Steel producers are among those who are absorbing more freight charges for their customers and producers of television sets are introducing new models that contain all the features of last year's line but sell at lower prices.

Over-capacity in many industries, which makes manufacturers hungry for orders, is a basic reason for this spreading weakness in prices. Many companies expanded too rapidly in the early nineteen-fifties and

their sales have never justified the full use of their plants. Appliance makers could produce twice as much as they do at present. Even after the sharp rebound in their activity this spring, steel and aluminium companies are running at barely 75 per cent of capacity. Then producers of components have lost business over recent years as manufacturers of finished goods have turned to making their own parts. For example, the Ford Motor Company now makes transmissions which it used to purchase from the Borg-Warner Corporation in Chicago. The impatience of manufacturers has been heightened by the sluggish recovery in retail sales. While they are improving now, they have lagged far behind the rise in personal incomes and shopkeepers say that the consumer has emerged from the recession reluctant to spend or to go into debt.

Lower prices have reduced some costs for both manufacturers and retail traders, but wages and other operating expenses continue to mount. Wages in the steel industry will rise on October 1st and a higher minimum wage, which will affect many factories and shops, comes in on September 3rd under a new federal law. Publicly there is more and more talk of prices going up in the near future, but privately many businessmen doubt whether there will be more than a few increases in the coming months, unless sales show enough buoyancy to employ more of the country's excess capacity.





Two facts worth remembering: (1) The fuel oil pipeline devised by Shell-Mex and B.P. Ltd was laid 23 miles from Stanlow refinery to Partington, in the Manchester area.

(2) Fuel oil is currently being pumped in at Stanlow at 240°F and coming out at the other end to feed Manchester's industries flowing merrily at 100°F.

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Wary Negotiators in Detroit

THE automobile manufacturers and the United Automobile Workers, whose contracts with the three major companies expire on August 31st, are still taking each other's measure. Neither side wants a strike and neither side wants to provoke the intervention of the government. Both are aware—the managements to their satisfaction, the workers to their irritation—that the Administration regards these negotiations as an important test of the country's ability to avoid inflation. The President's Labour-Management Advisory Committee, which met last week to seize the nettle of wage and price restraint—on which so many similar committees have come to grief—may not have been able to do so; it simply set up a number of sub-committees to consider various aspects of the nettle. But other members of the Administration have been forthright about the need for restraint; the settlement in Detroit is, as usual, likely to set a pattern for many other contracts.

Mr Reuther's task is unenviable. He needs to cut a dash to wipe out the memory of 1958, when he came away from the bargaining-table almost empty-handed; to bolster his own prestige if, as seems likely, he has hopes of unseating Mr Meany as president of the American Federation of Labour and Congress of Industrial Organisations; and to put heart into his members who have had a hard year. Over a million fewer motor cars were produced in the first six months of 1961 than in the corresponding period of 1960 and the assembly lines are slowing down for the introduction, earlier than usual, of the new models. There will be little enthusiasm for a strike. Mr Reuther's only trump is that the companies would also hate a strike which prevented them from recouping, in what they hope will be a glittering fourth quarter, the sales and profits which they have lost so far.

Last week Mr Reuther unveiled the centre-piece of his proposals; it justifies his reputation for ingenuity. Since 1948 automobile workers have benefited to the extent of \$1.18 an hour from two concessions won in that year: a cost-of-living adjustment and a "productivity payment" of an additional 2.5 per cent a year. Mr Reuther suggests that 17 cents of the cost-of-living bonus should be incorporated in the basic wage structure—a "raise" which would cost the companies nothing (except the right to withdraw the bonus if prices fall). In addition he wants an increase in the productivity payment to 3.4 per cent a year, something which, it can at least be argued, is also non-inflationary. Yet on this basis Mr Reuther could claim that he had won a wage increase of 26 cents an hour. He also produced his expected demand that workers should be paid weekly salaries instead of hourly wages because this might reduce the risk of their being laid off when production falls. But his members are more interested in two other things: an improvement in the company payments which supplement the state's unemployment benefits and the assumption by the managements of the full premiums paid for health and medical insurance; at present they pay half. Late this week the representatives of the companies will begin to outline their stand; at least they cannot complain that Mr Reuther has not given them a wide variety of ideas from which to strike a bargain.

SHORTER NOTE

The "colour of your money" will be apparent at first glance if the Treasury accepts the idea—put forward by Mrs Elizabeth Smith, the Treasurer of the United States—of printing bank notes of different denominations in a variety of hues. Only the one dollar bill would remain the traditional green. The change would lessen confusion, reduce the number of errors and make sorting easier at banks.

ownership and distribution of electric power—to which the new Administration wishes to return—power was regarded as an incidental by-product of dams built primarily for the purposes of flood control and irrigation. Now the Westerners at the helm in the Department of the Interior talk of the provision of cheap electric power as an end in itself. Only last week, when the Tennessee Valley Authority observed the centenary of Senator Norris's birth by announcing a new low rate for electricity, President Kennedy said that he wanted to see the TVA go forward along this path, not rest on its laurels. Cheap electric power is of just as great importance to the fast-growing west as it has been to the southeast, where the TVA has worked such miracles.

DURING the eight Eisenhower years there was little change in the proportion of electricity generated by public authorities; it amounts to about 20 per cent of the total. But the industry is fighting tooth and nail and using all its influence with Congress to prevent this proportion from being increased. For example, it is asking Congress to refuse to provide the money to build the Burns Creek project in Idaho. The industry feels that there is a strong case for rejection of this scheme, which would provide virtually no water for local irrigation and thus departs widely from the traditional policy of generating electricity only as a by-product of irrigation. Because of this controversial aspect of the project, the Administration seems to have decided not to stir up a bitter fight by pressing Congress to authorise it this year.

But in another dispute the advantage appears to lie with the Administration. Private electrical firms are battling for the right to build the main transmission lines to distribute some 1.2 million kilowatts of power which will be generated, eventually, by the Upper Colorado Basin Storage scheme. Studies carried out for Mr Seaton, Mr Eisenhower's Secretary of the Interior, convinced him that money would be saved if the federal government built the transmission system and Mr Udall, his Democratic successor, has naturally concurred. The Administration may well make its strongest stand on this issue.

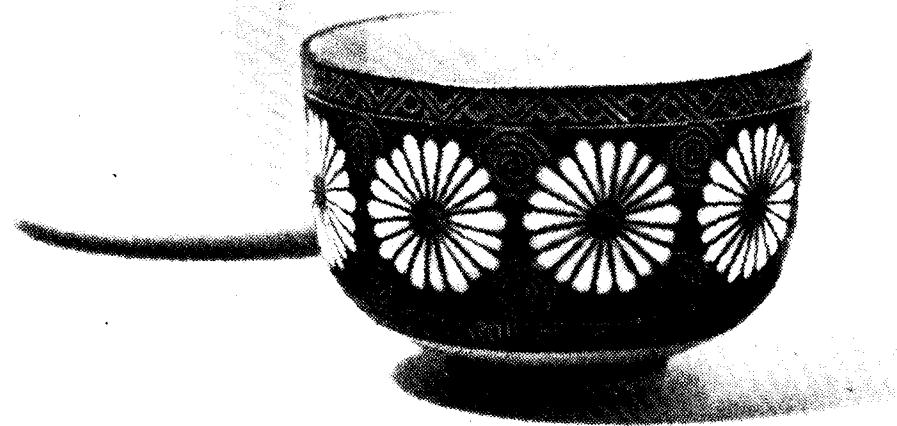
The country's new masters have already reversed the restrictive policies imposed by President Eisenhower on rural electrical co-operatives which, in the past twenty-five years and with the help of low-cost federal loans, have brought electricity and telephone service to almost every farm house. These co-operatives depend, in many cases, upon private firms for their supply of electricity and many wish to band together to build their own joint generating plants and transmission facilities. The policy of the Republicans was to grant loans for this purpose only when they were convinced that the REAs were unable to obtain adequate, reliable and reasonably priced supplies from private sources. They would also have liked to charge the REAs interest high enough to cover the government's cost of borrowing the money in the first place.

All this has changed under the Kennedy Administration. Last month the Rural Electrification Administration granted the largest loan in its history: one for \$60 million to a group of co-operatives in Indiana to enable them to build a 198,000-kilowatt generating plant and the transmission lines to distribute the electricity. The loan is for 35 years and bears interest of only 2 per cent. The co-operatives first applied for the loan in 1957, but the Eisenhower Administration never acted upon it largely because of the opposition of the private firm which now supplies these co-operatives with almost all of their electric power. Having their own generating plant will save them about \$5.5 million during the next ten years. This was the main reason for granting the loan. But the Rural Electrification Administration has also announced publicly its determination to "guarantee the co-operative device a permanent place in the American (electrical) power industry" and has promised not to let the co-operatives be victimised in any way by the commercial companies.

THE WORLD OVERSEAS

Lusaka's Marshmallow World

FROM OUR SPECIAL CORRESPONDENT



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NORTHERN RHODESIA is the victim of its own relatively tranquil past. For at least three years widespread trouble over the issue of constitutional advance has seemed imminent but has always been averted. Now when a collision between nationalism and the government seems both inevitable and immediate most people fall back for comfort on the past and assure each other that this crisis will dissolve like all the rest. There is a general feeling among government officials and Northern Rhodesian Europeans that they are driving through a marshmallow world: maybe there will be a slight collision but it will hurt hardly at all.

Yet since Mr Macleod last month published the complex proposals for a new constitution, African and liberal disillusionment with the Colonial Secretary and the British Government has been almost complete. For two years Mr Kenneth Kaunda, president of the United National Independence party, has been sustained with hopes of a peaceful transition to majority rule. First the Devlin report diagnosed the malaise in Nyasaland and he could trust that the same cure would not be applied to his country. Then a majority of the Monckton commission had recommended an African legislative majority for Northern Rhodesia; and Mr Macleod himself confided during a weekend at Chequers that he was thinking of "something similar to Nyasaland." The preliminary White Paper in February was a compromise but still acceptable. The Europeans were busy adjusting their views to the prospect of an African government. Then on June 26th all Mr Kaunda's hopes were shattered.

Although Mr Macleod has maintained that the new proposals are "within the framework and spirit of the White Paper," senior officials in Lusaka will admit that fundamental changes have been made. In the White Paper, they explain, there was an attempt to equalise the two voters' rolls, each having 15 exclusive seats and a reasonably equal share in a third group of 15 seats. The new proposals are aimed at equalising the voting influence of what they call "the two major races" (a phrase which passes lightly over the fact that Africans outnumber Europeans 38 to one). In this scheme the Asian and coloured population was a complicating factor, and so it was segregated by being given a single national seat of its own. It was also successfully argued by Sir Roy Welensky's United Federal party that it would be easier for an African to gain a 12.5 per cent minimum vote among the 50,000 on the upper roll than for a European to achieve this quota among the 70,000 on the lower roll; so an alternative of 400 minimum votes on both rolls was added.

The UNIP claims (and it seems accurately) that the UFP will almost certainly win nearly all the 14 remaining national seats, especially since they have now been grouped into double member constituencies with the provision that at least four of them must return Europeans. They have only to find 400 susceptible voters among seven groups of 10,000, and no salesman worth his salt would consider that much of a challenge, so why should a party that has long been under the loving care of Messrs Coleman, Prentis and Varley and has large funds to spend on advertising.

While the UFP wags its newly acquired second tail, the other three parties are in various stages of dismay. The UNIP, which is by far the largest, has rejected the proposals and announced a

boycott of any elections. The African National Congress, the rump of Mr Harry Nkumbula's old party, which claims a million members in the same unconvincing way that a fading beauty will romanticise about her age, is trying to make the best of both worlds: it has rejected the proposals "without reservation" but intends to contest the elections in order to destroy the constitution "from inside." The Liberal party is bitterly disappointed, but its leader, Sir John Moffat, has said he will try to make the constitution work; others in his small party are less amenable and would have liked to see Sir John resign his ministry rather than be seen proposing the ironically named motion of thanks to the Governor for propounding this constitution.

All three of these parties would support the proposals if the 2,000 Asian voters were returned to the national roll and the 400 minimum vote alternative was dropped. Mr Mistry has led an Indian delegation to tell the Governor they do not want separate representation. The Bishop of Northern Rhodesia has led another from the Christian Council to plead for urgent changes. Both he and Sir John Moffat have appealed for an all party conference. But the government's attitude is that any further conference is purposeless since the proposals are "irrevocable"; it will not let any part be reviewed for fear that every part might be objected to and scrapped.

There seems now no room left to manoeuvre and both sides find themselves increasing speed towards the collision. The special UNIP congress last week gave Mr Kaunda full backing for his unrevealed "master plan" to shake the foundations of government by non-violent action. The trades unions have declared they would show solidarity by striking, a threat which worries the government more than the Copperbelt managers, whose problem is world over-production. The government has provided itself with the widest imaginable security powers; thus even boycotts, whether of beer halls or of registration for voting, can be designated an offence carrying a six months' prison penalty. The police have been considerably strengthened since the proscription in 1959 of Mr Kaunda's previous Zambia Congress party, and many Europeans take particular comfort in the fierce appearance of the police mobile units which are largely composed of selected illiterates.

As a result of hurried federal legislation all European men between 18 and 50 are required to register for federal military service before August 15th. Several among the 280 European members of UNIP—who include clergymen, lawyers, school teachers and a knight—have decided not to register despite the threat of a year's imprisonment. They see all Northern Rhodesia's troubles stemming from the British Government's determination to continue federation; otherwise, they urge, the gentle, ascetic Mr Kaunda would be as acceptable as Mr Nyerere and his country's copper wealth could have made for swift development.

In March a peaceful transition for Northern Rhodesia seemed so close, after Sir Roy's call-up of territorials had been morally defeated by the forbearance of Africans trusting in Mr Macleod. Now, with that trust gone, the situation is extremely grave. There are nightly incidents between police and crowds, any one of which could flare into a riot and throw the country into turmoil.

It is widely said among liberals that one move only can avert

an early explosion. This is the resignation of the Governor, Sir Evelyn Hone, who is known to be deeply unhappy about the constitution to which he found himself finally putting his hand. It would give Africans heart and patience and would assuredly make alarm bells ring in Whitehall. Failing such a sacrifice, they see the country doomed to a state of emergency in which the detention of the UNIP leaders will be followed by bloodshed and disruption of the economy, which anyway is far from healthy now. When this is said unemotionally by decent people, who are now busy putting their property in their wives' names as they hard-headedly contemplate detention in the camps they hear are being renovated, there are surely grounds for Mr Macleod to be dissatisfied with his handiwork.

Canada Stands on Principle

FROM OUR OTTAWA CORRESPONDENT

MR DUNCAN SANDYS'S talks here, which concluded the world-wide consultations of the three horsemen of Mr Macmillan's apocalypse, were nothing like as terse or unfriendly as the exceptionally blunt communiqué suggested. The conflict with Mr Sandys's views was as definite as the communiqué indicated, but the difference was not primarily based on Canada's trade interests, nor did it involve any clash of personalities. Mr Sandys had been billed as the tiger luring the young Canadian maiden into what Hollywood would call a "death ride." But two things went wrong with this advance billing.

Mr Sandys, far from appearing as a tiger, impressed Mr Diefenbaker as a man whom he could trust absolutely; and the austere Mr Howard Green, secretary of state for external affairs, surprised himself as well as everybody else by concluding, "You know, I like him." On the other side, the Canadian ministers surprised Mr Sandys by stating their objection to British negotiations with the common market on high political grounds, and by leaving Canadian trade interests on the periphery of the argument.

After his gruelling flight from Sydney to Ottawa, Mr Sandys had 24 hours' rest before meeting the Canadian ministers. He spent an important part of it grilling British officials here about Canadian attitudes. When he first met the Canadians on July 13th he confronted an impressive group of officials besides four senior ministers. Mr Diefenbaker, who had a private meeting with Mr Sandys later, was represented by his chief confidential adviser, Mr Robert Bryce, secretary to the cabinet. Mr Howard Green was accompanied by his permanent under-secretary and his other economic experts. Mr Donald Fleming, the finance minister, who was obviously tired by his bitter tussle with Mr Coyne, acted as chairman; and British sources say he did it admirably. Mr George Hees, minister of trade and commerce, and Mr Alvin Hamilton, minister of agriculture, were there; and Mr Louis Rasminsky, Canada's executive director on the International Monetary Fund and at present the hottest tip to succeed Mr Coyne as Governor of the Bank of Canada, came up from Washington for the meeting, though he was having a sticky enough time down there defending Canada's new policy of devaluation.

At the opening meeting Mr Sandys took more than two hours to expound the British attitude towards the common market. He admitted his own belief that negotiations should be started, while insisting that the Cabinet had not reached a decision. The Canadian ministers then spoke in turn, challenging Mr Sandys's view on the basic ground that British integration with Europe would remove "the British influence" from the world. Even the minister of agriculture, Mr Hamilton, hardly mentioned wheat in his concern about "the Commonwealth idea." In so far as Canadian trade

interests were mentioned, it was clear to both sides that the crux of the problem was the export of Canadian manufactured goods. Mr Sandys, while he emphasised their relative insignificance in the present totals, had to recognise Canada's concern about what they might become.

From the British point of view three things have been gained from these talks. First, the Canadians recognise that Britain will decide in the near future whether to open negotiations with the Six, and there will be no more argument about holding a full Commonwealth conference or further talks before that decision is taken. Second, Mr Sandys showed the Canadian ministers that a decision to stay out of Europe would be as fateful as a decision to start negotiations. Third, if the Canadian government in its present state of confusion and defensiveness is at all able to recognise the force of logic, its arguments about the Commonwealth will become a farcical pretence unless it maintains to the fullest extent every existing British preference in this market.

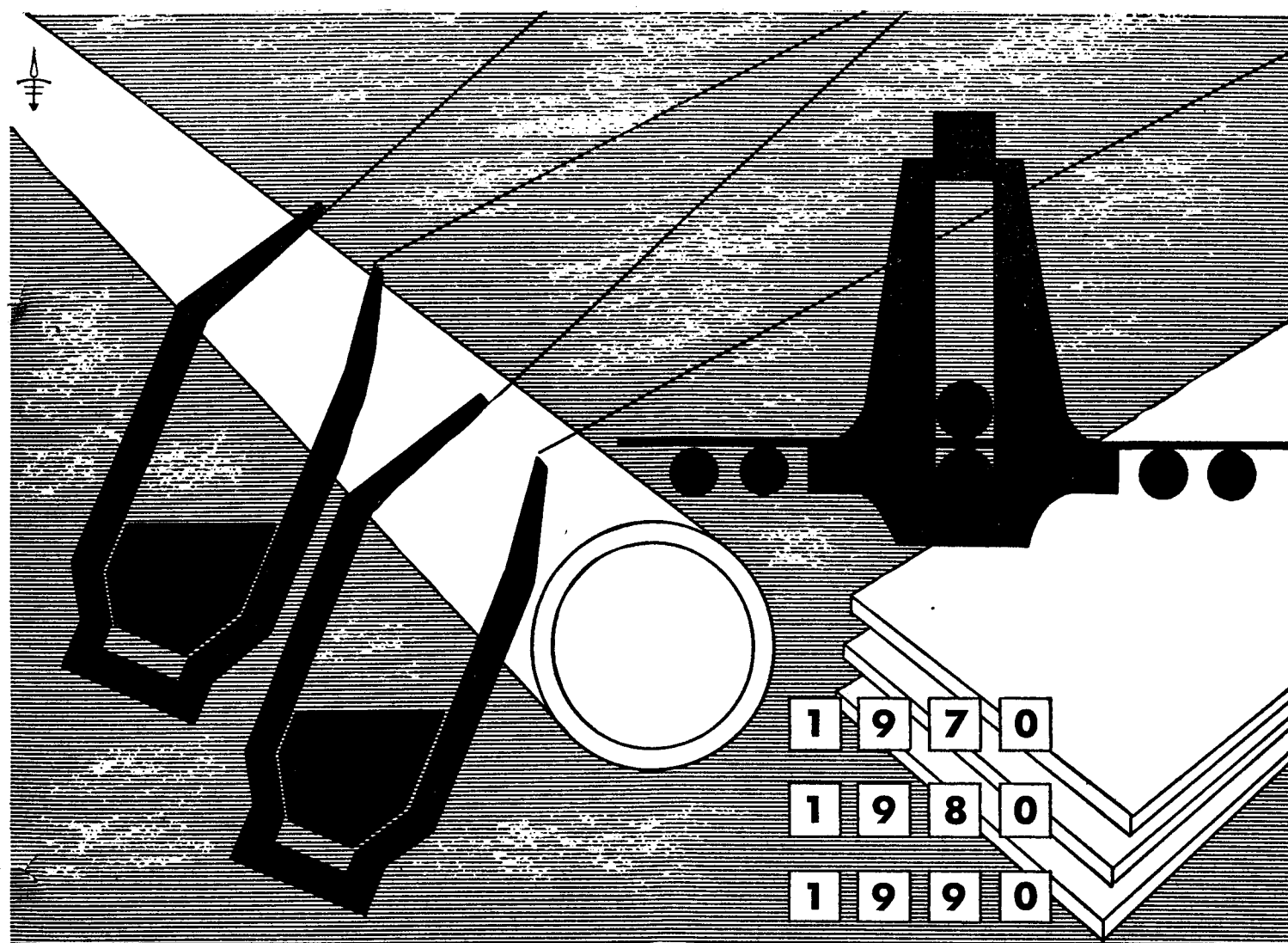
Much British comment attributing Canadian intransigence to the domestic political convenience of the Diefenbaker government has been unfair. It could be very misleading if it makes Britain underestimate the genuine Canadian interest in maintaining "a British voice" to which Canada and the rest of the Commonwealth can lend support as circumstances permit. It is true, however, that the Conservative ministers are displaying their party's historic bias in favour of imperial ties, now semantically transformed by that obscure word, Commonwealth, which is untranslatable into any other language, including American. If the Liberal party were in power this bias would be much less apparent. The Liberals, who did much during their long period of power to resist centralising tendencies in the Commonwealth, would be quicker to admit that what is sauce for the goose should be sauce for the gosling too. But the fundamental Canadian concern, to maintain British and Commonwealth equipoise against the almost overwhelming influence of the United States, would be the same whatever party were in power.

Tactically, the Canadian ministers' choice of ground may have been more skilful than gentlemanly. They remain free to claim that they never regarded Britain's arrangements with the Six as a fit subject for bargaining in sordid terms of trade advantage. They were faithful to the great Commonwealth ideals even if Britain was not. But they may also have calculated that retaliatory tariff action can be taken more easily from this elevated pedestal than from the earth-bound equality of a more realistic approach.

A European Conclave

FROM OUR BONN CORRESPONDENT

HAD enthusiasm for the cause been alone the criterion, then Federal Germany's modest capital was as fitting a place as any for Tuesday's gathering of the common market's heads of government and foreign ministers. The proclaimed object of the conference was to get on with the business of integrating the Six politically as well as economically. For several days Bonn citizens had been addressed all over town by a poster advocating democratic, parliamentary control of the new European institutions and their growing force of bureaucrats. The deputies to such a parliament, it was urged, should be elected directly, not delegated, as at present, by the various national parliaments. To make control more effective, the three existing institutions—the European Commission at Brussels, the Coal and Steel Community, and Euratom—should be merged into one executive. And there was a line or two proposing that Britain and its partners of



S T E E L 2 0 0 0

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the European Free Trade Association should be encouraged to join in.

The poster was the combined work of the German council of the European Movement; a German organisation, Europa-Union; and the German branch of the young European federalists. At a public meeting held in Bonn before the heads of government arrived, sundry representatives of these eager German Europeans—among them Herr Furler, president of the European parliament, and Herr Mommer, the Social Democrats' European expert—announced that they had sent Dr Adenauer a telegram in which they restated their demands—but with one interesting modification. As a first stage towards political integration through an elected common parliament, the European Movement, the telegram said, would accept regular consultation by the heads of government so long as these meetings did not undermine the authority of the existing European institutions.

Tuesday's meeting in Bonn had been planned originally for May 19th. The two principal reasons for postponement seem to have been the unreadiness of concrete proposals for strengthening political unity, and the more encouraging swing of British sentiment towards participation in Europe. Expressing its regret at the postponement "at a time when the political unity of Europe is urgently necessary," the incipient European parliament cancelled the debate on political co-operation that it had called for May 10th. The report of the parliament's political committee, which was drawn up by M. Dehousse and was to have launched the debate, stated that political co-operation made sense only so long as it involved agreement to take decisions in common and accept the consequences. It was impossible to separate political from economic issues, as the Community was at present trying to do. If there were to be four community summit conferences a year, then the European parliament should hold at least two foreign policy debates a year. Political co-operation should be based not on a gentleman's agreement but on precisely worded written undertakings. These ideas were incorporated in the resolution passed by the European parliament on June 29th.

In the context of these aspirations the verbose declaration put out by the heads of government in Bonn on Tuesday evening can mean everything or nothing. By far the greater part of it was already composed before the statesmen met, most of it by the foreign ministers at their meeting in Rome on July 10th. All that emerges is that the heads of government and the foreign ministers will continue to meet regularly (how often is not stated, but the next meeting is to be in Rome in October); that political consultation is to be complemented by similar collaboration in the fields of education, culture and research; that the European parliament's proposals of June 29th are to be studied; and that a committee is to be appointed to consider ways and means of giving political integration "an institutional character." All this circumspection can scarcely please the enthusiastic federalists. But it is intended not only to bridge the narrowing differences among the Six but also to leave things open a little longer while Britain is making up its mind.

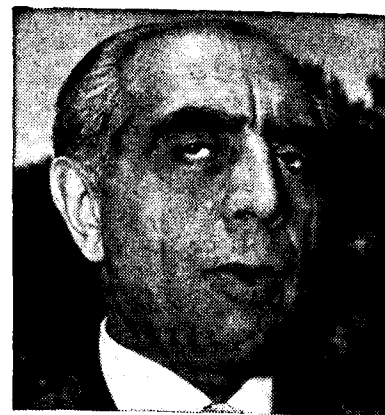
Nothing was arranged in Bonn that would make it any more difficult than it has been before for Britain to throw in its lot with the European community; indeed, any such queering of the pitch was most carefully avoided. Unhappily, the purpose of British European policy has of late been exceptionally inscrutable to outsiders. Just when it seemed that the government and the country as a whole were ready to take the plunge into the common market, the three cabinet emissaries to the Commonwealth have returned with chilling reports that have apparently shaken everybody's confidence. At the same time wild rumours are rife of Britain's economic predicament. Britain's well-wishers are hoping that the expected statements in Parliament by the Prime Minister and the Chancellor of the Exchequer will clear the air before the council of Western European Union meets on August 1st.

Persian Road to Nowhere

FROM A CORRESPONDENT IN TEHRAN

REFORM or revolution is still the constant theme of the speeches of Dr Ali Amini, who has been Persia's prime minister since May 5th. But the public is getting weary of waiting for him to translate his words into action, and his reforming zeal has visibly dimmed now that he is faced with the hard realities of the political situation. Few people doubt the sincerity of his desire to root out corruption and stabilise the country's shaky economy. But powerful vested interests are ranged against his reform programme.

At first, it was believed that the National Front presented the only effective opposition to Dr Amini. But now it is not the front that is giving him the most trouble. The prime minister met National Front leaders last month and seems to have convinced them that, if their agitations brought his government down, it could only be replaced by a government repressive enough to put the front out of operation altogether. The National Front leaders, who are still more concerned with keeping up their pressure for early elections than with urging a social reform programme, appear to have been partially satisfied by Dr Amini's assurance that they will



Dr Amini: honeymoon over

be able to participate in the next elections and in the next parliament. It is hopefully assumed, of course, that Dr Amini will remain in power long enough to hold these elections. The chief opposition to Dr Amini's programme for social reform has come from the right; from the landlords, the armed services, the very wealthy, and from former high government officials, all of whose interests would be affected if the reforms went deep. The last few weeks have seen one concession after another to these groups. The proudly acclaimed programme for land distribution has not yet begun; there is no longer any talk about reducing the size and importance of the army; there are no signs of elections, and proceedings have not yet been started against any of the generals who were arrested earlier on charges of corruption or of the misuse of funds. Dr Amini's drive against corruption had to stop sooner or later when the chain of evidence inevitably began to involve names high up on the official ladder. Unfortunately for the prime minister, he is the apparent initiator of these concessions, and it is he, not those responsible who will bear the most blame.

It is becoming increasingly clear that Dr Amini has little control over the army, the police, or the security forces. Although he was allowed to make some cabinet changes when the Shah appointed him prime minister, he had to leave posts in these three crucial departments untouched. A few weeks ago, the National Front was prevented from holding a meeting in Qazvin, a town forty miles from Teheran, and there have been other signs that the security forces and the police are reasserting themselves. If these signs spell a return to the repressive practices of the past, then many people—intellectuals, students, civil servants, and workers too—will be alienated, and Dr Amini's honeymoon with the National Front will be over. The leadership of the front is already split and one faction is demanding a tougher line towards the prime minister.

Dr Amini, it appears, is basing many of his hopes on a substantial loan from the United States. This would help the country to get over its immediate economic crisis, and would enable the prime

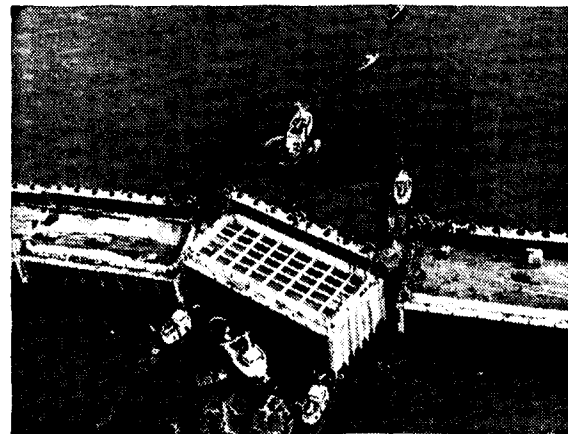
minister to relax the credit and import restrictions that have recently been imposed. These were highly necessary, and indeed were adopted at the insistence of international banks and lending agencies who made them a condition before they would offer further loans to Persia. But they are making the merchants grumble; and Dr Amini, in his present situation, can ill afford to alienate another powerful group. Mr Arsanzani, the minister of agriculture, recently left for Europe, where he is trying to enlist European, and especially German, aid and investment for Persia. A second delegation is expected to leave for the United States next month in an attempt

to interest the World Bank in Persia's third development plan. The American Administration itself seems, at the moment, to be holding tightly on to the purse-strings—possibly waiting for signs of genuine reform before backing Dr Amini decisively.

With his hopes pinned to the United States, the prime minister has chosen to disregard the increasing pressure in favour of Persia's withdrawal from the Central Treaty Organisation and its adoption of a policy of neutrality. He has, in fact, staunchly reaffirmed Persian adherence to all existing pacts and treaties. But support for neutrality has come from surprising quarters. Non-alignment was

Holland's Growing Pains

FROM A CORRESPONDENT
IN HOLLAND



FOR the Dutch there is no slackening off in the struggle against the sea that they have waged ever since the 13th century. The ambitious scheme, started in 1927, of partially reclaiming the Zuiderzee and thus adding 550,000 acres of new fertile land to Holland, is now more than half completed. Three of the five projected polders have been drained and two have been brought into complete cultivation (Wieringermeer and the Northeast polder). Blueprints for the fourth polder are ready and work on Southern Flevoland—endiking and drainage—will start before long.

The floods caused by the great storm of February, 1953, did enormous damage to the entire south-western part of the Netherlands. Immediately afterwards, the government drew up a plan to close off four of the five estuaries, leaving only the entrance to the river Scheldt open. From a hydraulic point of view this "Delta plan" is much more difficult than the Zuiderzee scheme, because the engineers have to contend directly with the open sea and very strong currents.

Briefly, the Delta plan envisages the construction of four unusually strong dams of a total length of 15 miles, which will replace the hundreds of miles of dikes around the various islands. This closely resembles the building of the "big dam" across the Zuiderzee, but the Delta plan, unlike the Zuiderzee scheme, will add hardly any new territory to the Netherlands. Its objects are to make the southern part of the country safer against any future attacks by the sea, to create some big fresh water lakes for recreation purposes and, perhaps most important of

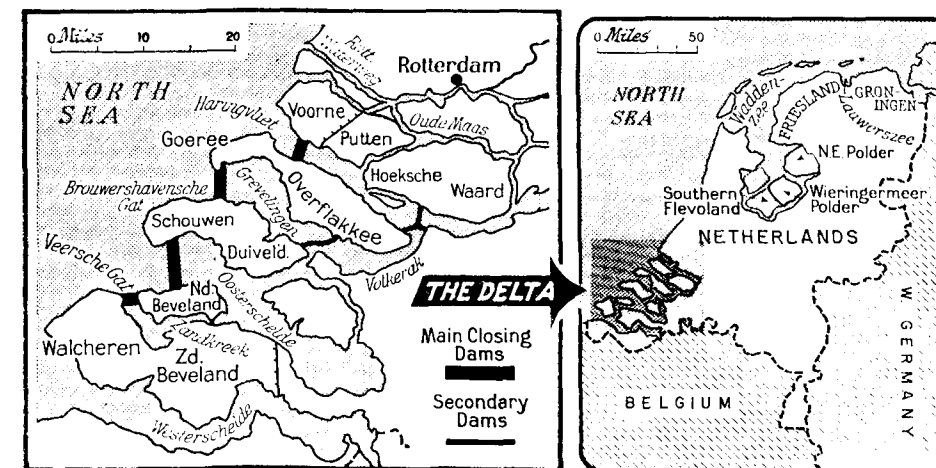
all, to reduce the salinity of the soil in that region.

The first line of defence will be formed by building primary dams in the Haringvliet, Brouwershavensche Gat, Oosterschelde and Veersche Gat estuaries. This last estuary has just been closed off by means of seven caissons, and work at the Haringvliet estuary is proceeding at full speed. The entire Delta plan will cost some £250 million, including the construction of three secondary dams, and is to be finished by 1978. The latest hydraulic techniques, most of which have been developed in the Netherlands, are being used, and thousands of foreign engineers are coming to Holland to study them in operation.

When the Zuiderzee and Delta plans have been completed, only two further jobs remain to be done. The first one is the comparatively simple task of closing off the Lauwerszee, the small bay in the

north between the provinces of Groningen and Friesland. A decision in principle to go ahead with this has been taken, and the first tenders have just been made. The project will start with the building of an eight-mile dike from the north-eastern tip of Friesland to the north-western tip of Groningen. If everything goes according to plan, the drainage and reclamation of the Lauwerszee area (some 16,500 acres) should be completed in nine years' time at a cost of some £10 million. When the dike has been constructed, 3,375 acres of arable soil and 6,500 acres of woodland will automatically be drained. At a cost of an extra £2.5 million, a further 8,500 acres of arable soil will later be reclaimed and impoldered.

The second remaining task in Holland's battle against the sea concerns the six "Wadden" islands, north of Friesland. At present they are beautiful recreation spots and haunts for birds. But it would no doubt be feasible to build dikes from the northern tip of the province of North-Holland thus joining at least five of the islands to the mainland, to which they belonged at the beginning of the Christian era. Large tracks of submerged land between the islands and the mainland would be drained and would provide extra living space for the ever-growing population of the world's most densely populated country. This may seem a dream of the future, but hydraulically nothing seems impossible and one may be sure that somewhere in one of the desks of the ministry of traffic and waterways some rough blueprints or sketches of the "Wadden plan" may be found.





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not a policy one proposed publicly three months ago. But the easing of press control has provided an indication of the country's temper. Not only has the National Front given neutrality its blessing, as was expected, but support has also come from several prominent and usually conservative political figures, including a former minister, Mr Ahmad Aramesh, and a member of the present cabinet. Mr Aramesh, who is now under arrest, has claimed that during his term in the previous government, the Soviet Union offered massive aid to Persia. He also claims that Russia was prepared to help Persia exploit its northern oil fields on very favourable terms. Both these claims have been categorically denied by Dr Amini and by his foreign minister. The denials should be taken at face value, and Mr Aramesh's statements with a grain of salt. But many Persians believe Russia would be willing to pay a heavy price for Persian neutrality.

Dr Amini has no party of his own to support him through these difficult days. He can, of course, always threaten to resign in the hope of persuading the Shah to give him stronger backing than hitherto. This would have been a powerful weapon eight weeks ago when Dr Amini was at the height of his popularity. Today, its effectiveness is more questionable.

In Defence of M. Debré

FROM OUR PARIS CORRESPONDENT

THE Tsar is good and wise, it is his councillors who are wicked and foolish. Sophisticated Frenchmen have recently evolved a modern version of this old muzhik belief and M. Debré is its victim. The French President collects popular applause as he passes through Lorraine, while angry peasants hang his prime minister in effigy. General de Gaulle represents greatness, prestige, success. But if the peasants are angry, parliament thwarted or the Algerian war unfinished, the blame must be put on M. Debré. The editor of *Le Figaro* has even seriously suggested that the solution for the present French malaise lies in a change of prime minister.

The amount of abuse now poured on M. Debré is in itself a proof of how well he does his job; to be a scapegoat is part of his duties. It was not written as such into the constitution of the Fifth Republic, but it is implied there effectively enough. When vast powers were granted to a president not responsible to parliament, it might be guessed that his prime minister would fight only mock parliamentary battles. In keeping with the spirit, if not with the letter, of the constitution, General de Gaulle rapidly extended his exclusive domain to all the decisions that matter, including foreign affairs, Algerian affairs and the key questions of economic policy. There was nothing left for his lieutenant but to carry out orders and shoulder the blame for unpopular moves. In this part M. Debré's rather abrupt manner proved an asset. If France's European policies displeased foreigners the fault lay in the prime minister's exacerbated nationalism; if deputies complained that they were bullied—it was due to M. Debré's distaste for parliamentary democracy.

Poor M. Debré. The only people with legitimate grudges against



him were his old companions from the banner of *Algérie Française*. Those who had plotted against the previous regime, but did not stay on the gaullist bandwagon, accused him of betrayal. No opportunity was lost for the tart reproach that the senator of yesterday, *Michou La Colère*, as they used to call him, was not to be recognised in the obedient, pliable prime minister of today. And, indeed, even in politics, where the volte-face is no rarity, seldom has a man been obliged to swallow so many of his words on so many occasions and in such a short time.

General de Gaulle does appreciate his prime minister's faithful services and his usefulness as a scapegoat. He has no need to change him now, as he made plain in his broadcast last week. Should the general's republic last long and M. Debré outlive his usefulness, there will be plenty of gaullist candidates of all complexions, from pink to true blue, for the succession. M. Debré was the right man to bamboozle the lunatic fringe on the Right. A Mollet Socialist might be more suitable, if the trade unions were to get too restless. But the premiership is unlikely to change hands before the end of the Algerian war or before a general election, whichever comes first. And whoever has the job, his duties will not change without a radical reform of the regime.

Thus justice could be rendered to M. Debré only if sophisticated Frenchmen were to discover, as the muzhiks finally did, that not all virtues are the monarch's, or all the vices those of his servants. That would be the last thing the loyal M. Debré would wish.

Signor Fanfani's Twelve Months

FROM OUR ROME CORRESPONDENT

A MOTION of no confidence in Signor Fanfani's government, presented by the Socialist leader, Signor Nenni, was defeated in the Italian Chamber on July 13th. The Socialists complained that after benefiting from their neutrality at the beginning of its career, the government had failed to keep its pledges—real or implicit—and that the prime minister was marking time while toying with grandiose development plans which he had neither the strength nor the will to put through. The outcome of the debate was a foregone conclusion, since the two left-centre parties, which have supported the government since it was formed a year ago, remained loyal.

Signor Nenni himself, it is known, considered the motion ill-timed and tried to persuade his central committee to suspend it. From a tactical point of view, as usual, he was right. This vote makes it more difficult for the Republican party, which itself is critical of the government, to carry out its plan of attacking Signor Fanfani in October, when President Gronchi's power to dissolve parliament lapses and it becomes possible to have a government crisis without risking a general election.

The skirmish last week would hardly be worth mentioning were it not for the general feeling that Signor Fanfani's parliamentary victory marks the end of a phase in Italian affairs. Since about 1954 Signor Fanfani has been generally believed to be the man who, in spite of repeated setbacks, would some day lead the Christian Democrats into a working alliance with the Socialists. Few people expect this any more. Twelve months in office have given Signor Fanfani his second great chance; but at the end of them he no longer stands out as the man of the “opening to the Left.” The opponents of this policy, in his own party and outside, have ceased to fear him. The Christian Democrat left wing is looking for a new leader capable of steering the party towards the Socialists; and it has cast its eye on Signor Sullo. In the country Signor Fanfani's image has become as blurred and flickering as that of the party secretary, Signor Moro. To the Italian public the two men appear as well-intentioned Catholics who would, indeed, like to put their party and their country on a

"socialising" course, but who cannot stand up to the opposing ecclesiastical and conservative pressures.

This does not mean that no more will be heard about Catholic-Socialist collaboration, the search for which is a recurring theme in Italian politics. The new papal Encyclical, *Mater et Magistra* [published on July 14th and separately discussed on page 327], clearly opens a new chapter in the story of the relations between Catholics and Socialists. Italian Socialists have hailed it as a break with the narrow, corporative tradition of Catholic sociology (of which Signor Fanfani, in his early years, was an exponent) and as a step forward to a position from which further evolution of Catholic social thought may be possible. In the long run, it is being said here, the new doctrine should influence the political behaviour even of Italian Catholics. In the short run, this behaviour is controlled by the hierarchy, upon whom, at the beginning of his reign, Pope John devolved authority in national affairs; and the hierarchy's record in Italian politics is not encouraging.

In the immediate future, however, it looks as if Italian political alignments may settle back into quite a different mould, one in which the Socialists will be drawn into closer collaboration, not with the Catholics, but with the Communists. Such an alliance would not be on the ideological plane, but in practical matters where the two parties are thrown together by the circumstances of Italy's industrial expansion and agricultural crisis. Italian labour, demanding a bigger share of the profits of Italy's industrial expansion, looks to the Communists and, in a lesser degree, to the Socialists to press its interests. At the same time the rural community is being thrown into a turmoil by the decline in agricultural incomes. All the weaknesses of the land reform—which was conceived primarily to produce a crop of Christian Democrat votes—have come to the surface; drastic remedies, including a reform of the system of land tenure, are urgently needed. But instead of announcing a policy for agriculture—which the "Green Plan" is not—Signor Fanfani called a ponderous national agricultural conference which has merely ploughed its discordant and inconclusive way through a mass of reports.

In their dissatisfaction the industrial and agricultural workers are making common cause. Last week in Florence the workers came out on strike in sympathy with the peasants. Such a thing has not happened since the time, before the land reform began to be introduced, when the landless peasants squatted on the uncultivated estates. Probably Signor Togliatti had direct action of this kind in mind when he scandalised Parliament last week by saying that to vote against the government was the least one could do.

Plainly this climate does not favour a Socialist-Catholic entente. Unless the Catholic politicians take their cue from the Encyclical instead of from the cardinal archbishops who have so far dominated the application of Catholic sociology in Italy, something like a Popular Front may threaten to reappear.

Switzerland's Foreign Invasion

BY A CORRESPONDENT

FOR the last year or so the talk in Switzerland has been about *Überfremdung*, too much land in foreign hands, too much foreign capital, too much foreign labour. There has been something of a popular outcry over the purchase of land in the Ticino canton by industrial magnates and film stars from—as it is supposed—west Germany. This led to a Swiss federal decision, which came into force at the beginning of April, that people domiciled outside Switzerland, whether they are Swiss or not, may acquire land in Switzerland only with the approval of the cantonal authorities. In actual fact these complaints tend to exaggerate the amount of property that has been acquired in the Ticino by foreigners. An

article published by the Swiss Bank Corporation in June refers to 6.4 per cent of the value of the 107 most important communes at the end of 1958. The biggest foreign share almost certainly belongs to Italians, who tend to invest in building flats in Locarno (or villas in the Engadine), particularly when a heavy Communist poll in Italy has alarmed them. The people who buy up plots of poor land from the Ticinese peasants, which they then develop very profitably, are mostly German-Swiss. In the canton of Geneva a considerable amount of property has been acquired by Americans, but chiefly for administrative offices for American concerns in other parts of Europe. It is in this canton that a few Arabs have established themselves in feudal splendour.

Of late years foreign capital has shown a strong tendency to infiltrate the prosperous Swiss economy. In August, 1960, a so-called gentlemen's agreement was made by the three leading Swiss banks, to which the others subsequently adhered: it was agreed that foreign investors should be penalised if their money was put into Swiss concerns for too short a time. Owing to the persistence of the rumour that the exchange value of the Swiss franc, like that of the German mark earlier, was to be increased, it is uncertain whether this merely encouraged foreign capital to remain. Another protective measure adopted by various big Swiss firms since 1959 has been to convert their bearer shares into registered shares. There is however more Swiss capital invested abroad than foreign capital in Switzerland.

More interesting, indeed, more critical, is the influx of foreign labour. It is popularly supposed that Italians naturally crowd in for the season to work on the land or in the hotels—and why not? By now, however, much more than this is happening. The number of foreign workers with temporary permits valid for up to a year, issued by the cantonal authorities, is published for February and August each year. The peak figure of 435,000 in August, 1960, will easily be surpassed in August, 1961. In addition to those with temporary permits, there is a fairly substantial population of foreigners who have been allowed to settle without becoming Swiss citizens. Thus it may be presumed that, of the whole labour force of 2½ million, well over 500,000, or a fifth, are not Swiss. About two-thirds of these foreigners are Italian. Switzerland, with a tenth of the population, has as many foreign workers as west Germany.

Many people would feel concern about this state of affairs in any case, since several types of essential work, in the building industry as well as on the farms, have virtually ceased to be done by the Swiss. In Switzerland's major skilled industry, mechanical engineering, a quarter of the labour force was foreign at the end of 1960; 67 per cent of these foreigners were Italian. (These figures, which come from the employers' federation, do not include the watchmakers.) During last winter the foreign workers in this as in the Swiss textile industry, increased considerably, regardless of the season.

Those Swiss who are alarmed by this dependence on foreign labour are able to point out that already Italian workers are becoming hard to find. In northern Italy itself skilled labour is short: what is more, west German employers are offering better living conditions than the Swiss cantons offer. In Switzerland it has been quite exceptional for the Italians to be provided with lodging or to be allowed to bring their families; but the Germans now offer both these amenities, while the development of the common market also tends to draw Italian labour away from a non-member country. Thus the Swiss either have to revise the terms they offer or to content themselves with unskilled labour from southern Italy and, more recently, from Spain and Greece. An agreement was made with the Spanish government in March.

Thoughtful Swiss patriots who want their country to preserve its particular political character are afraid of what they see: a choice between absorption into an integrated, industrialised Europe, and the continuing risk of a grave economic setback.

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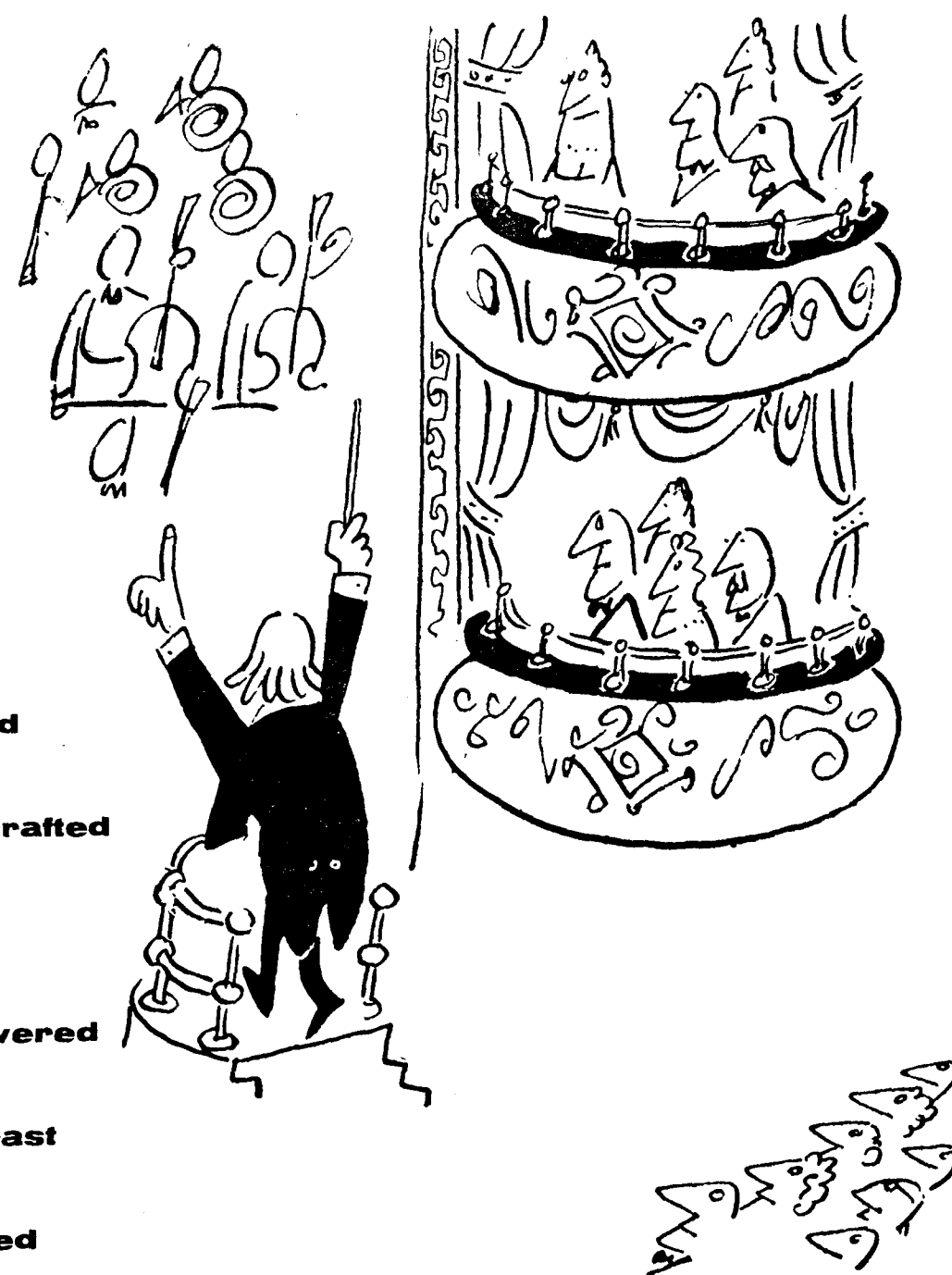
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LETTERS

Europe and the Commonwealth

SIR—I was frightened to read Mr Douglas Jay's letter in your issue of June 24th. It is strange indeed to hear Labour supporting Commonwealth free trade, which, after all, is a kind of common market between English-speaking territories and some others with which Great Britain had imperial ties. But the Commonwealth trade area consists of a dominant industrial country vis-à-vis mainly underdeveloped ones which barely interpenetrate one another (for instance, Canada is more orientated to the US than to the UK), while the EEC contains regional industrial specialisation and overall interdependence. The Commonwealth economic system is in many ways another name for the colonial trade type relationship, while the EEC is a repetition of the market revolution similar to the earlier US one.

Of course, the EEC would make imports of foodstuffs and raw materials from the Commonwealth more expensive because of common tariffs on them. That is only natural. But the arguments used against that are exactly the same as those used by 19th century colonialists against the abrogation of the colonial trade monopolies. It is strange that a modern economist should support old-fashioned trade imperialism by appealing to the Englishman's cheap cup of tea.

First of all, true liberalism must not be a relationship between rich and poor (as is the Commonwealth trade area nowadays), but between more or less equal partners. Then, competition might produce the usual benefits. That is what happened in the US and what is happening on the continent, first in the Benelux Union, now in the EEC area.

Secondly, cheaper and better products in the EEC will then largely compensate Great Britain for the higher cost of tea, if the British government decides not to subsidise it. Everybody knows, and *The Economist* foremost, that British industry, every year since 1931, has lost a little more of its relative advantages over other countries because of the protective illusion of the imperial tariff barriers. To wake up to today's realities, British industries will have to face true competition from industrial countries. Then they will recover many of their comparative losses. But only true competition, and not government laws or exhortations, will do it, as recent European experience has shown.

We believe *The Economist* to be right to support Britain's entrance into the EEC. It is not a matter of political dogmatism to be pro or con. Continental socialists have been among the promoters of the common

market idea and still are supporting it. Are they less social-minded than the British Labourites?

Many people here feel that something ought to be done to help underdeveloped countries in solving their particular raw materials and agricultural problems. But Douglas Jay should know that the EEC is more aware of that than many countries, studying long-term contracts and permanent assistance through special funds. Thanks to its successful experience in this specific field, and to its special interests, Great Britain, inside the EEC institutions, could contribute to an overall solution of the output, price and distribution of raw materials and the main agricultural products. Stabilisation of these is needed, inside (as shown by recent French troubles) as well as outside Europe and even the most liberal country of all, the US, has done it for most of its own products now. That seems the way of reviewing positively the relations between Great Britain and most of its Commonwealth partners and not the continuance of the glorious but in the long-term disastrous imperial preference tariffs system of 1931.—Yours faithfully,
Brussels

JULES A. HORN

West Indian Workers

SIR—In your issue of June 24th you say of the West Indian Federation: "The small islands, still undeveloped, must harness their resources of land, water and labour (they have plenty of labour) and follow Jamaica's example in building up small local industries."

Owing largely to the rush to England, seemingly irrational as the flight of lemmings, it is emphatically not true that we in the small islands have plenty of labour. Agricultural production is on this account severely restricted. Artisans are disappearing from the human species. Policemen and school teachers, trained at the expense of the taxpayer, are taking unskilled jobs in British factories or on the London Underground. If our labour force were to be further depleted by "small industries," our exports (bananas, copra, cocoa, citrus fruits) would inevitably dwindle and the economic situation deteriorate further.

Incidentally, it is a misconception, encouraged by the bleating of politicians, that this wholesale emigration is the result of adverse conditions in the "small islands." Our people are going to England for the sake of change, for adventure, or because the

THE ECONOMIST JULY 22, 1961

man next door has done so. If one is tired of carrying bananas or husking coconuts it is apparently agreeable to collect fares on a bus or hump luggage at King's Cross. But the flight is of choice rather than necessity.

All this applies essentially to the units known as the Leewards and Windwards. In the large islands—Jamaica, Trinidad, Barbados—there are admittedly problems of unemployment and slum conditions. But it savours of absurdity that the same "large island" statesmen who insist, under threat of Communism in the Caribbean, the unrestricted emigration to the UK must continue, should deny right of entry into their own territories to their "poor relations," thus denying "federal kinship" and indeed making a farce of the whole federal concept.—Yours faithfully,
Dominica, BWI

E. NAPIER

★

SIR—Mr Norman Pannell, MP, in his letter of July 8th, presents two alternatives as a result of the present trend in immigration into the United Kingdom: the complete assimilation of coloured immigrants, or the creation of a minority element, neither of which would appear to be desirable to Mr Pannell.

If we are to avoid hypocrisy, it must be admitted that a minority problem is already in the process of being created, and could become a permanent feature of our society if we refuse to face (as South Africa refuses) the implications of the first alternative, assimilation.

It is possibly hopeful for the future of race relations in the Commonwealth that many members of the public who belong to such bodies as the British Caribbean Association and other inter-racial organisations, try to put into practice their belief that the integration of all immigrants into the life of our community is the answer.

It would be interesting to know for what reason Mr Pannell disapproves of assimilation, considering that the present population of the British Isles is very largely the result of the assimilation of peoples from many different races throughout history.—Yours faithfully,
FELICITY BOLTON,

Secretary,

The British-Caribbean Association
London, WC1

Trader or Haulier?

SIR—Your article of June 17th is a timely reminder that many of the restrictions which affect industry and trade are based upon statutory provisions. There are, moreover, strong grounds for believing that the goods licensing system is moving away from general vehicle licensing by tonnage, which was the basis of the 1933 act, and towards much stricter control over the type of goods carried, as well as over "route and area served" after the United States pattern. This belief is founded on the enormous growth, since the passing of the act of 1933,

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in the application of "normal user" conditions to "A" licences, even upon the renewal of formerly unrestricted licences.

Normal user conditions are not specifically provided for in either act. It is arguable that, contrary to the intentions of Parliament, there has since 1953 been a tightening rather than a loosening of statutory restrictions on public hauliers.

J. A. B. HIBBS

A. L. COLEBY

Saffron Walden, Essex

Oil Sales

SIR—In your issue of July 15th you make statements regarding the sale of lubricating oils "at Shell-Mex and BP garages" from which your readers may gain the impression that Shell-Mex and BP is in a position to dictate whether or not competitors' lubricating oils are sold at these garages. You refer, for example, to that percentage of competitors' oils which Shell-Mex and BP "allows the garages marketing its products to sell."

Shell-Mex and BP, in common with all other companies with a national network, has sales contracts freely negotiated with garage proprietors whereby the latter undertake to sell only the petrol marketed by the company in question, and all have been offered terms whereby competitors' lubricating oils can be sold, if they so desire. If some of these garages choose to sell only Shell-Mex and BP oils, it is naturally not a cause for dissatisfaction on our part.

You also state that garages which have mortgages with oil companies as security for loans are prevented from stocking competitors' lubricating oils. Again, so far as Shell-Mex and BP is concerned, this is not so. For several years, these garages have been free to stock any other company's lubricating oil.—Yours faithfully,

CHRISTOPHER T. BRUNNER
Director

Shell-Mex and BP Ltd.,
London, WC2

The Axe of Damocles

SIR—I am frankly flabbergasted by the suggestion that indirect taxes should be raised by 10 per cent and that foreigners might be impressed by such a move.

If the cost of living index goes up, so will the wage claims, in my view rightly so. There is absolutely no limit, other than the exchange value of the pound, to the level to which indirect taxes could be raised, because the Bank of England is a printing machine. In no sense, however, could this be called an "economy" because all that would happen, in effect, is a temporary transfer to the Government of spending power which otherwise would belong to consumers. The money gets spent just the same. The remedy is for the Government to cut its own spending, which it steadfastly refuses to do.—Yours faithfully,
OLIVER SMEDLEY,

Hon. Treasurer,

Council for the Reduction of Taxation
London, EC2

BOOKS

The Cold Odd Man

Mr Secretary Pee!

By Norman Gash.

Longmans. 707 pages. 70s.

"SUCH a cold, odd man" was Queen Victoria's first impression of the Prince Consort's favourite Prime Minister. When he died in 1850, however, Peel was already a legend, embodying for Cobden "the idea of the age." Historians have agreed with both verdicts. Peel features in all the books as a major architect of mid-Victorian England; but for over a century he has remained without a full-scale biography of any sort. The sheer mass of material is clearly forbidding. Peel's papers, carefully preserved in red morocco, are voluminous and revealing, while the array of secondary sources is enormous. Yet Mr Gladstone, after a long career even more tortuous than his mentor's, left a vaster collection of papers without intimidating the biographers. Something more is needed to explain this remarkable neglect.

Bagehot declared that Peel had "the powers of a first-rate man and the creed of a second-rate man, never in advance of his time"; and Balfour, looking back in old age on his own troubles with the Conservative party, could still say that "I never can hear Peel praised with patience." Proper consideration must come late to a man whose personality repels, whose talents and beliefs can be patronised, and whose actions provide the basis for a protracted controversy. For long many Tories could not forget that Peel had "betrayed" his party and his class. Liberals might praise him for seeing the light, but anyone so slow to realise that he was in "the wrong party" could not be compared to Cobden, Bright or, above all, Gladstone as one of the true prophets.

Though the arguments need restating, it remains possible to regard Peel as a prig, a hypocrite and a timeserver; but his stock is rising. This is partly a matter of fashion, for administrators have recently come up in the estimation of historians. But an improved analysis of early nineteenth-century politics, and a better understanding of economic growth and social adjustment in that unique phenomenon, the industrial revolution in England, have also combined to focus new attention on Peel as the dominant figure of his day. The moment for the big biography has arrived, and it looks as though we are going to get it from Professor Gash.

His first volume takes the story up to 1830. The elder Peel, a cotton spinner of yeoman stock, saw his gifted son as a means

of consolidating the family's new standing; and from boyhood Peel was groomed for success in the great world. Irish Secretary at twenty-four and Home Secretary at thirty-three, he had displayed his apparently effortless superiority in high office for fifteen years by 1830, and his father could die contented. But Catholic emancipation, the first real crisis in Peel's career, had given the old man some qualms, and badly damaged the image of his son as the risen hope of the stern, unbending Tories, the blue-eyed boy of the *ancien régime*. Out of power and out of sympathy with the times, Peel's future was far from certain.

Like many parvenus, Peel began by taking as immutable the conventional wisdom of the milieu into which he was projected by his father's wealth and ambition. As an overworked executive, he tended to rely on the short view, seeing life "as it appeared from a desk" cluttered with immediate problems. Yet once the pressure was strong enough, Peel's experience as an administrator and his belief that the politician's first duty was to carry on the king's government made him all the readier to change course for reasons of state. His behaviour over Catholic emancipation thus allowed him to be seen as a traitor to his convictions or a martyr to necessity, according to taste. There had been a minor precedent over the currency in 1819—and there was to be a major sequel over the corn laws.

Though he never had to struggle, Peel was an uneasy man, subject to much inner stress. Professor Gash detects a "discordance" between his public and private faces. Compelled to create "an artificial self to deal with others," he became increasingly sensitive to criticism, and often yearned for an unthinkable escape to the secure happiness of domestic life. Given Peel's outstanding ability, sense of duty and unfortunate combination of intelligent realism with slowness to learn, there was a danger in times of change that his agony over Catholic emancipation would be repeated, and that in the end he might succumb to a vindictive, merely negative bitterness. After 1846 this is precisely what occurred.

Professor Gash sometimes seems to suggest more prescience in Peel's outlook than his evidence here will justify, and a usually admirable commentary occasionally sees that the anti-establishment dogs do not get the best of it. But this superbly produced book is worth every penny of its high price, and is not a page too long. Well written, scholarly, perceptive and thoroughly documented, this is biography in the grand manner, and its companion volume will be eagerly awaited.

Whose Freedom?

I Speak of Freedom

By Kwame Nkrumah.
Heinemann. 307 pages. 25s.

TODAY there is a new African in the world and that new African is ready to fight his own battle and show that, after all, the black man is capable of managing his own affairs." The Osagyefo Kwame Nkrumah said this on March 6, 1957, the day Ghana became independent. The statement is included in Dr Nkrumah's new book, and it is what the book is all about. More important, it is what African politics today is all about. The black man will prove to all the world—and to himself—that he is as good as anyone else. This is "the positive assertion of the African personality"—a phrase Dr Nkrumah is almost as fond of as "Africa has a vested interest in peace."

The Osagyefo is, above all things, a personification of this need and the pity is that, in asserting Africa, he also asserts himself. He was proud, he writes, as an African to be the first African Prime Minister; to speak to the world's leaders at the United Nations; to be the first African Privy Councillor. It may be that the two personalities—the individual's and the continent's—are so much part of one another that to honour Dr Nkrumah is to honour all Africans. So there are pictures of the "victorious leader" with Mr Macmillan, with Mr Nehru, and President Nasser, and President Eisenhower, and Mr Khrushchev, and President Tito, and Mr Hammarskjöld. There is also a picture with Patrice Lumumba.

The book is a collection of speeches made over the last dozen years, interspersed with sparse comment and an unsettling amount of self-praise. Dr Nkrumah quotes the editor of his party paper, who wrote about what a good speech Dr Nkrumah made; he rarely leaves a room or hall except to tumultuous and enthusiastic applause. This lack of humility is Dr Nkrumah's greatest misfortune, for his speeches, heavy going though some of them are, embody a consistent ideology for the new Africa. It is an ideology that may not be immediately practicable, but one that cannot be laughed off.

Pan-African unity, as a means to economic and political strength, makes sense; the difficulty is that even its most dedicated proponent—the Osagyefo—would not attend the recent conference of 21 states at Monrovia because he did not convene it and because he did not like what he suspected it was going to decide. The call for the "total liberation" of Africa is unexceptionable—except, perhaps, to other African leaders, who fear that Dr Nkrumah's methods amount to subversion in countries that are already under African government.

In the long run, however, Dr Nkrumah may well be seen as the most powerful of the early continental revolutionaries, as a man whose ideal of unity may eventually turn out to be no more difficult to achieve than, say, getting Britain into the common market. He points out that the idea of

independent African states was once thought of as impossible. Accra is still the capital of radical African thought, and it is far too early to say that Nkrumahism is finished.

But the ideology may be in need of a new exponent. The Osagyefo's fight against "imperialism and colonialism" in the French African states (whose leaders he regards as puppets) is basically the same fight as the one being fought by Alhaji Sir Abubakar, Prime Minister of Nigeria. But Sir Abubakar is using different tactics—at Monrovia he aligned himself with the French "puppets" in an effort to give them more self-confidence by giving them more economic and political strength.

Ghana's internal policies revolve around the idea of a total mobilisation of its people towards building up the economy and, above all, the dignity of the black man. This concept appears again and again in Dr Nkrumah's speeches. There is a constant attack on bribery and corruption, a constant call for harder work and more learning, a repeated exhortation to "serve Ghana now." In this, there can be little room for organised opposition.

In a passage from a speech made in 1959, the Osagyefo complains that, while 90 per cent of the students at the University College were being maintained by government scholarships, the college was a "breeding-ground for unpatriotic and anti-government elements." This is the Osagyefo's greatest disservice to his cause. If Africans are to prove their worth by increasingly contributing to the world's fund of knowledge and ideas, then restrictions on the freedom of African academic thought cannot be tolerated.

Victorian Vigour

Wilfred Scawen Blunt

By the Earl of Lytton.
Macdonald. 368 pages. 30s.

LORD LYTTON has written a strange book about his grandfather: vigorous, charming, informative, and yet utterly unsystematic. He skips about, in a desultory and disjointed way, from subject to subject—the constancy of wood fires in Victorian country houses, the nesting habits of Egyptian birds, the value of virginity, the Gorham judgment, the best soil for fruit trees: it is more like conversation than biography. Yet Blunt's rational radicalism and engaging humanity keep showing through. Maddening he may have been, particularly to established authorities; but it is hard not to like the hedonist who could write to a young woman much attracted to him: "My creed about these things is that it is always right to be happy, and that the fact that one is happy proves that one is good."

A Greek poet once recommended his readers first to acquire a competence, and then to practise virtue. Blunt had the good fortune to be born to riches, and could spend his life in the virtues of squirearchy and opposition. He did not fail to tell his contemporaries how he abominated their

imperial pretensions; treating Asians and Africans as equals, he made many friends among them, and left a great name in Islam. Sometimes his prescience was remarkable. "The best chance of the East is that the nations of Europe destroy each other," he wrote in his diary thirty years before the Great War began the liberation of Asia. Earlier, in 1884, he had written to General Gordon: "consider what your death will mean; the certainty of a cry for vengeance in England, and an excuse with those who ask no better than a war of conquest. I wish I could be sure that all those who are sending you on your mission do not foresee this end." His grandson sympathises with his views, and writes with feeling that

it is inexcusably unfair that Moslems and Pagans, Hindus and Confucians should have our accusing finger pointed at them out of the darkness we have tolerated at home in the name of Christ.

Much of the book is taken up by various aspects of the prolonged and bitter quarrel between the author's mother and her father; neither party comes out of it wholly with credit, and a good deal of the story makes painful reading. But it is useful to have an inside account of it before the remaining written secrets of Blunt's extraordinary career become available in his most private diaries. These papers, which Lord Lytton has not been able to see, are being kept under lock and key at Cambridge until 1972. This book makes it seem more likely than ever that they will be interesting reading.

Too Little and Too Late

The German Opposition to Hitler

By Hans Rothfels.
Oswald Wolff. 166 pages. 18s.

A SERIES of excited announcements by the *Reichsrundfunk* on the evening of July 20, 1944, informed the outside world that there had been a very nearly successful attempt to assassinate Hitler and overthrow the Nazi government, and that a considerable number of senior army officers were involved in the conspiracy. For some day the listening allies did not know how much to make of it. On August 9th the *New York Times* commented that the plot smacked more of "the atmosphere of a gangster's lurid underworld" than of what "one would normally expect within an officers' corps and a civilised state." The high-ranking officers had tried to carry out their plan "with a bomb, the typical weapon of the underworld." On the same day the *New York Herald Tribune* remarked

American people as a whole will not feel sorry that the bomb spared Hitler for the liquidation of his generals. Americans hold no brief for aristocrats such as these and less of all for those given to the goosestep, and when it suits their purpose, to collaborate with low-born, rabble-raising corporals. Let the Generals kill the Corporal, or vice versa preferably both.

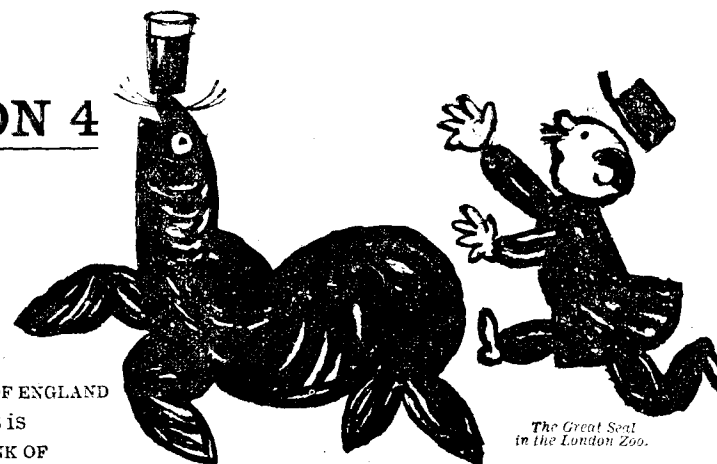
We know now that these judgments were unjust. Herr Rothfels argues convincingly that the abortive deed of July 20th was not

LESSON 4

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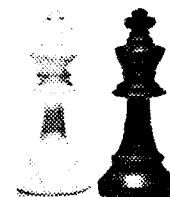
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BOOKS

THE ECONOMIST JULY 22, 1961

the desperate throw of a guilty military clique trying to insure itself against now certain defeat. The staff officers were in the limelight because they alone were in a position to act. Behind them was a numerous and various group of conscientious citizens, who had known each other for years and repudiated Hitlerism long before its end could be expected. Herr Rothfels discusses the general sources and trends of the opposition to Hitler more than the fate of the individuals concerned, whose undeniable nobility lives in their statements before the People's Court, and in their letters from prison.

It is easy to ask questions comfortably from an armchair seventeen years after the event. But perplexing flaws in the conspiracy urge one to do so. How, for instance, could such a momentous issue have ever been left to the gamble of a small bomb? And why did the conspirators expect foreign help before they had proved their seriousness, and feel sorry for themselves, apparently, when they did not receive it? Herr Rothfels tells of a request made through contacts in Sweden in the summer of 1943 that the RAF should spare Berlin, Leipzig and Stuttgart until the middle of October since "the oppositional movement has its centres there and the interruption of communications would make the putsch" (then planned for September 1943) "more difficult." All this was passed to the British, Herr Rothfels observes, "but provoked no response."

The opposition to Hitler had left things until too late. Their tragedy was that not enough Germans of public standing in 1933 and 1934, who knew and detested what Hitler meant, had had the courage of their convictions. Herr Rothfels's admirable study should be read by everybody interested in the individual's response to the challenge of totalitarianism.

Social View of Religion

The Birth of the Gods

By Guy E. Swanson.

Cresset Press. 271 pages. 30s.

Sects and Society

By Bryan R. Wilson.

Heinemann. 397 pages. 35s.

BOTH these books are handicapped by the tendency of contemporary sociologists to desert ordinary language and to create one of their own. This is unfortunate, for each author has something of interest to say. Both of them follow in the footsteps of Durkheim in treating religion as an essentially social phenomenon, and so they look to the social needs that a creed satisfies in order to explain and analyse its character. Professor Swanson has subtitled his book "The origin of primitive beliefs," but in fact he does little to elucidate this mysterious question. What he is more concerned with is to correlate particular religious beliefs with particular types of primitive societies that practise them. On

this theme he has some fairly thorough statistical tables, based on a sample of fifty primitive groups.

The difficulty here, as Professor Swanson is aware, is that he has to rely on material collected by others, and different schools of anthropology have varied notoriously in their interpretation of this material. Still, in testing his main thesis—which is that the nature of group life will determine the types of beliefs held—he comes up with some interesting correlations. For instance, he found that monotheism occurs most often in hierarchically organised groups where the authority of rulers and elders is strong. Belief in witchcraft, on the other hand, is seen as a characteristic of societies lacking a clear-cut system of political control and moral law. As he follows up such comparisons, Professor Swanson probably provides some valuable pointers to the better understanding of primitive societies; he throws less light on the actual origin of religious belief, for in a sense he starts half way along his own argument by already assuming that some kind of belief in the supernatural is universal even among the most primitive groups.

Mr Wilson leaves out the vexed question of religious origins. He has concerned himself with the way in which three Christian sects have developed in this country and how the particular needs they fulfil are related to the structure of present-day British society. The reader who can delve below the surface of Mr Wilson's technical language will find that he has made a detailed analysis of the history, the teaching, the organisation and social composition of the three religious movements. His most interesting contribution has been to highlight the relation between the doctrinal teaching of each sect, and the social status and aspirations of its adherents. Thus he argues that Christian Scientists are mainly well-to-do and the creed they follow is concerned essentially with life in this world, in this way according with Max Weber's theory that what the prosperous demand of religion is that it should justify their prosperity. On the other hand, the Elim Four-square movement has its eyes firmly fixed on the next world where compensation is offered for the misery of this one, and its members are drawn almost entirely from the poor and underprivileged, the majority being women. The third sect, Christadelphianism, is, according to Mr Wilson, essentially a revolutionary creed that rejects present-day society and looks to God to provide a new and better social order. It is also a family-centred faith, with a strong patriarchal Old Testament streak, and while its early recruits came mainly from the poor it has today a large and increasing following among the white-collar middle class.

All this is no doubt true; but what both authors fail in some way to reveal is the precise meaning of religious experience to the individual man or woman concerned. It certainly adds to our knowledge that sociologists as well as theologians should study religion, but the danger is that among the

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statistics the nature of this individual experience is left too far behind. The contribution of these two books has been to illuminate, not so much the ultimate nature of religious belief, as some of the concrete problems that currently face the churches as they try to adjust themselves to the changed tempo of modern life. In fact what is to be the social role of organised religion in a scientific age? This is a very big question indeed, and one on which sociological investigation ought to be able to throw a good deal of light.

France Dominant

The New Cambridge Modern History, Vol. V: The Ascendancy of France, 1648-88

Edited by F. L. Carsten.

Cambridge University Press. 656 pages. 40s.

THIS volume of the "New Cambridge Modern History" has been ambitiously planned: a third of the contributors come from universities abroad, so that there can be no charge of isolationism. Unity of theme is provided by the cultural and political dominance of France and by the scientific and intellectual revolutions that in each state "encountered special conditions which clothed them in unique local wrappings." The volume is also fitly planned. The first eight chapters consider the general economic problems and policies, intellectual developments, cultural and social history. Nine chapters, of which three are devoted to France, deal with western Europe and colonial relations. The last eight chapters are concerned with central, eastern and northern Europe. There are some admirable studies. Professor Betts makes a compact survey of the Hapsburg lands; Professor Skalweit of Saarbrücken has a penetrating study of political thought; Professor Wittkower writes with distinction on art and architecture; and Sir George Clark contributes a judicious and enlightening chapter on the social foundations of states.

But there are disappointments in a volume entitled "the ascendancy of France." A professor of French literature has written on the internal history of the reign of Louis XIV, while an historian, Mr Ogg, has been assigned to French culture. Professor Zeller of the Sorbonne, whose own original work has been characterised by liveliness and independence, has lowered his sights for an English audience. He is content to repeat the old myth that Louis XIV's foreign policy was primarily a search for glory, a theme loudly played in the editor's introductory chapter also. The absence of an assessment of Lionne, the master mind of French diplomacy, and of Vauban, with his great influence on strategy, devitalises M. Zeller's chapter. It is difficult to reconcile Sir George Clark's view that the peasant revolts "never overtaxed the resources of the authorities" with the fact that the breakthrough on France's eastern front by imperialist forces in 1675 coincided with the

BOOKS

withdrawal of French troops to put down the rising in Brittany. Mr Coleman produces the traditional picture of Colbert as the uncritical mercantilist trapped by the theory of a fixed volume of trade, and fails to relate Colbert's programme firmly enough to its setting of depression economics. Professor Lough does not stress the novelty of the "new deal" inaugurated by Louis XIV in 1661, and it is unfortunate that the plan of the volume means that there is no rounded appraisal of Colbert's programme as a whole.

For an editor of a co-operative history there is the inevitable problem of discrepancies. Both Mr Carsten himself and Mr Coleman consider that Bohemia did not suffer much economic damage from the Thirty Years' War, while Professor Betts takes the opposite view. From Professor Betts's account of the famous relief of Vienna in 1683 the reader would suppose that Charles of Lorraine was far away and that the whole credit must go to the Poles. But if the reader pursues the cross-reference to the account given by Professor Kurat of Ankara, he gathers that Sobieski of Poland was merely a figure-head and that the credit must go to the generalship of Charles of Lorraine and the fighting qualities of the German troops. Again, while the editor argues for the ascendancy of France throughout this period Professor Betts claims that it was the Emperor Leopold, and not Louis XIV, who stood "at the pinnacle of glory" in 1683 and the following years.

No editor should attempt to impose an orthodoxy on his contributors, and perhaps he could best serve his readers by noting these discrepancies and disagreements. But there is a strong case for persuading historians to use the epithet "baroque" with restraint, for it is fast becoming as devoid of meaning as "feudal." Mr Kossman in his chapter on the Dutch Republic writes of "baroque absolutism," "baroque *raison d'état*," and even describes the war of 1672 as "an adventure in baroque power-politics."

Sunspots

Retire Into the Sun

By Cecil Chisholm.

Phoenix House. 199 pages. 18s.

AN American observer suggested recently that the clause in the Rome treaty which worries the British government most concerns neither agriculture nor the Commonwealth but mobility of labour. Who, he asked, will want to work in Preston or Middlesbrough if he can obtain equivalent employment, and enjoy far pleasanter living conditions, in Pau or Milan? Here, now, is Mr Chisholm to tempt Britain's middle classes with the question: why retire to Bognor or Bridlington when Menton and Malaga are only a short flight away? Unless the British government is resigned to an outflow of skill and capital as Europe's frontiers fall, it ought at least to launch a

major programme of weather-control research—an appropriate British counterploy to the Jones's man-on-the-moon projects.

Sizeable communities of British *retraités* already exist along the French and Spanish Mediterranean coasts, and in Portugal and the Canary islands, and are growing fast. Mr Chisholm, a sprightly Scotsman of 74, has recently toured what he considers the nine most promising "paradises" (his word), interviewing expatriates and collecting cost-of-living data and other useful information. He summarises the results on a very British scorecard: a possible 20 points are awarded for climate, 15 for a low cost of living, 10 each for social life, low taxation and a "clean and healthy" environment, 5 for "beauty and charm" and 3 for cultural amenities. Tenerife scores 90, Estoril 86, the coast of Andalusia 79, Languedoc 67. (East Sussex and the Isle of Wight, given for comparison, each earn 48.) The chatty but businesslike chapters in which he describes each area in turn will be of assistance both to readers contemplating retirement overseas and to anyone planning a holiday in Andalusia, Portugal or the Canary Islands.

Inevitably, a few errors have crept in. The Spanish government is praised for its economic achievements at a time when it was dependent on American and OEEC aid and advice to stave off bankruptcy; the mortgage rate in France is nearer six than one per cent; a heavy tax is payable on cars taken into Spain; the Canal du Midi was built to link the Mediterranean with the Atlantic, not the North Sea. But the basic information provided is reliable. One is inclined to disagree with Mr Chisholm only over his relative neglect of France, where property can be much cheaper—and social life far less stodgy—than he seems to think, and where both rural and urban scenery is more congenial to British eyes than some of the harsh "paradises" he recommends. In future editions his scorecard might usefully be given an extra column headed: "Possibility of violent revolution, followed by swingeing luxury taxes, property taxes and inflation." One ought, ideally, to be a prophet—or to have good contacts with the political underground—before sinking one's life-savings in Andalusia or Estoril.

OTHER BOOKS

BLUE GUIDE TO HOLLAND. Edited by L. Russell Muirhead. 2nd edition. *Benn.* 283 pages and 28 maps. 32s. 6d.

BRITANNICA BOOK OF THE YEAR 1961. *Encyclopaedia Britannica.* 564 pages. From 5 gns., according to binding.

ECONOMICS. By Paul A. Samuelson. 5th edition. *McGraw-Hill.* 863 pages. 58s.

VETERAN AND VINTAGE MOTOR CYCLES. By James Sheldon. *Batsford.* 208 pages. 30s.

THE SPORTS CAR POCKETBOOK. By William Boddy. *Batsford.* 254 pages. 8s. 6d.

GUIDE TO THE COALFIELDS 1961. Edited by G. R. Strong and E. G. Corbin. *The Colliery Guardian.* 721 pages. 20s.

WILLING'S PRESS GUIDE 1961. *Willing's Press Service.* 658 pages. 40s.



Would it have been better in plastics?

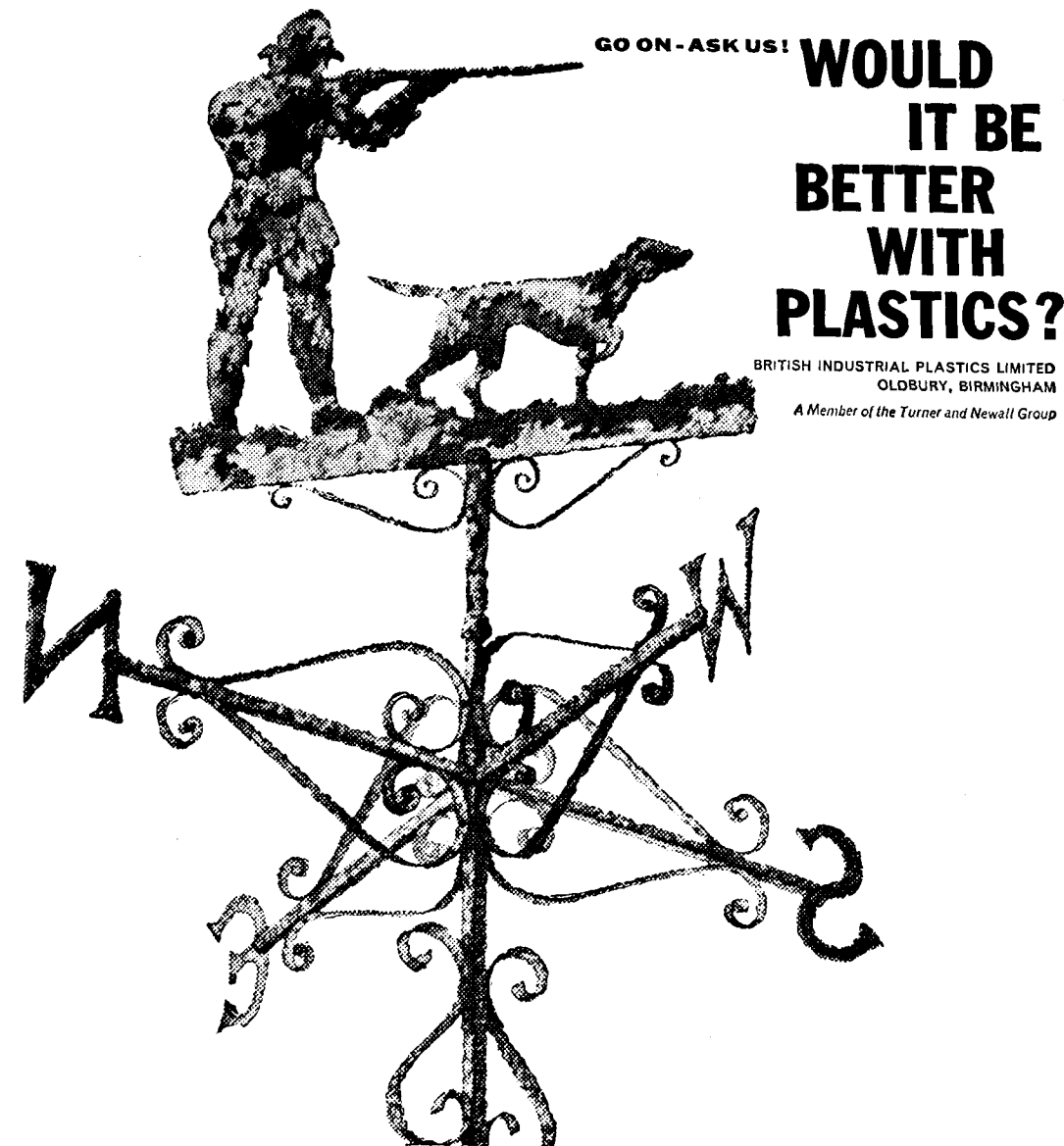
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HOME REPORT

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

The Slipstream Strike

FROM OUR SPECIAL CORRESPONDENT

TRUNDLING through the suburbs to Feltham Green in their carefully polished, ageing cars, delicately skirting the flower-beds to get a fair view of the speakers, a thousand-odd unofficial strikers from BOAC's maintenance shops at London Airport formed a far from wild assembly at their mass meeting on Tuesday morning. Patiently they listened while two union officials urged them to return to work with none of their demands satisfied. "Not because we like it but because we are over a barrel"; gleefully they culled misrepresentations about themselves from the rich crop in the morning's papers. The officials dutifully went through the details of the talks which had lasted from 3 p.m. the previous day until 3 a.m. that morning, while the audience weighed up nice points of procedure and jovially interjected when, as it frequently did, the account demonstrated a further stage in the officials' climb-down. Then one member of the local shop stewards' committee urged the men to stay out, and all but one hundred hands went up to agree with him: without jubilation, the fight was to go on. "We're not out for money, you know," urged an upholder, "it's the principle of the thing."

The thing in question, and the cause of all the trouble, was a new system of supervision which the corporation wishes to introduce in the hangars that prepare the long-haul planes for their next flight. The corporation has itself acknowledged that the ratio of supervisors to operatives in these shops has been far too high, and a plan for reorganisation has slowly been brought into force. The present aim is to introduce a new grade of supervisor, called a "section leader," to combine the existing grades of charge-hand and inspector. The union which represents the supervisory grades—the Association of Supervisory Staffs, Executives and Technicians—has accepted the creation of the new grade, at a rate of pay £2 4s. a week higher than before for its members who will take the jobs.

The corporation argues that agreement on the new grade was reached in the appropriate negotiating panel, the trade union side of which is largely composed of representatives of ASSET: the men-to-be-supervised claim that the corporation should also have consulted the panel on which the dozen or so unions of manual workers are represented. They believe that the new system will lead to unnecessary supervision ("As if we didn't know our jobs by now"); and they believe that it will block their chances of promotion. The lurking jealousy of the manual unions against ASSET, with its higher-paid membership, was fanned by the knowledge that (say) an electrician whom it promoted to a supervisory job may, very reasonably, prefer to switch from the ETU to membership of ASSET. But the strike has not been fomented by a narrow group, or by members of one union: in startling contrast to many unofficial strikes, most of those involved actually seem to know why they have stopped work—and they are highly skilled men, earning around £18 a week (with overtime), whose spending pattern is likely to be seriously disrupted by a fortnight's loss of earnings.

They are, however, craftsmen with a very clear idea of the dignity and responsibility of their job—and, traditionally, of solid



left-wing views. A big laugh was raised by the leading shop steward, who claimed: "Even Big Jim Matthews is on our side this time"—Mr Matthews being the right-wing leader of the Municipal and General Workers. The same speaker, at a meeting on Monday, was applauded for saying that it was a "criminal shame that the nationalised airlines should have to be brought to a halt" before discussions could begin on these proposals. He was claiming it as a victory that the strikers had caused the National Joint Council for the aviation industry—the top-level negotiating body for unions and management—to discuss the new supervisory proposals for the first time. Nationalisation, to these men, ought to have meant that they were getting an active say in how their airline should be run: but they unanimously claim that they never see any member of the senior management and that decisions are taken by small committees and panels (such as the one which agreed on this new scheme) on which only a few of the interested unions negotiate with corporation officials who have no real power to take decisions.

A GAINST this background press reports of sabre-rattling by the most senior management can only increase the men's conviction that a sinister plot is afoot. Perhaps, the strike leaders will admit, the supervisory system does need revising: but, if so, why cannot the management consult them about it? The management, tired of continuous obstructionism from the airport shop stewards' movement (which led to an inquiry, and to the replacement of several stewards, in 1958), has wearied of trying to put into effect the continuous co-operation with the unions imposed on them by the act of nationalising the airlines.

But if the theory that a few trouble-makers are at work is correct, the best move would be an appeal directly to the workpeople—1,000 men is not an unmanageable number. A series of circular letters from the chief engineer to the workpeople evidently failed to convince them of the corporation's argument that their interests were unaffected by the agreement on supervisors—which was presented to them as a fait accompli. Whatever the immediate success of the settlement reached on Thursday afternoon, when the strikers returned to work on BOAC's terms (backed by a firm order from Mr Carron, leader of the Amalgamated Engineering Union) this strike should lead to more sharp questions about BOAC's ideas on personnel management. If its scheme is really so innocuous and so properly negotiated as it claims, might not a clear explanation have avoided the loss of a quarter of a million pounds a day?

Wales on the Lease

FROM OUR SPECIAL CORRESPONDENT



LEASEHOLD enfranchisement, once an essential parcel of the Gladstonian baggage, is now a rallying cry only in South Wales. Even so, whenever Welshmen start talking about their landlords the blast still approaches incandescence. It is one of the causes which always keeps the local Labour party in good heart, but when Tory associations in the principality call for reform, when Tory MPs from South Wales (few as they are) vote with Mr George Thomas in the Commons, and when the *Western Mail* fulminates regularly against "robber barons" it means that something is up.

This, then, is the issue that unites Welshmen even when Sunday drinking divides them. They are mortified (although not wholly surprised) that so far they have not noticeably persuaded Mr Henry Brooke, wearing all three of his ministerial hats, of the justice of their complaint. Mr Brooke did allow, however, in a Welsh debate last week, that he would look into any difficulties that were made known to him, and solicitors in the principality have been sent an official circular to state their views on the current market in leasehold renewal and purchase of freeholds. The Ministry of Housing, Local Government and Welsh Affairs could be submerged quite soon.

Ground leases of 99 years or less, giving the right to the landlord to take possession of any building erected on the site when the lease itself falls in, are not exclusive to South Wales, although elsewhere freeholds and 999-year leases are more common. Short leases also exist chiefly in London (where the tenantry takes such practices more in its stride), on Merseyside and in some seaside towns like Bournemouth, Eastbourne and Southport. They are the result of a landlord, or group of landlords working in concert, choosing to take a small annual ground rent, plus the right of reversion, instead of selling the freehold outright. How seriously the landlords of a century ago counted on eventually securing the homes other people had built on their ground is a moot point. (They had to give up their claims on chapels under the Places of Worship (Enfranchisement) Act of 1920.) The initial leaseholds did, however, assist housing development at the time when, in the South Wales valleys and towns like Cardiff (with three original land-owning families) and Swansea, a first rash of working-class houses was springing up.

Now the early leases are running out and in the next twenty years many more will do so. The present outcry has come because Welsh householders, either in order to be provident or because they want to sell the actual houses that they own and move away, have tried to buy their ground freeholds and found that prices have suddenly jumped in value.

There are inevitably some householders in South Wales who have not previously grasped what the leasehold system implies: those that have built or bought the bricks and mortar of their own homes are understandably distressed to find that they do not own in perpetuity what they thought they owned. (It is estimated that something of the order of one-third of leasehold property is occupied by the ground lessee: in the remainder the lessee is renting to the sitting tenant.) It is disingenuous, however, to make too much of this. Over half a century of political agitation for leasehold enfranchisement has, in effect, persuaded every householder with half an ear cocked that 20 years' purchase of the ground rent is a fair and normal price for the freehold. So it may have been (and some landlords were bought out for this) in the past, but rising property values and the closeness of reversion have substantially inflated the market. The popular feeling is that, whatever the majority finding of the Jenkins committee ten years ago against drastic reform, the situation in South Wales is now radically changed.

THE focus of discontent has threatened to centre on Western Ground Rents, Ltd., which controls a number of Cardiff leases and which, its critics claim, has been both reluctant to sell freeholds and demanding more than the occupiers want to fork out for a renewal of leases. The company (largely through one of its directors, Mr John Foster, who sits in the Commons for Northwich) has answered that it is prepared to sell freeholds, but that it charges the market price, which is not unfair when the usual object of the householder applying for the freehold is to sell at the market price himself. The company also says that, in fact, only two of its leases have fallen in



Mr Powell's Headache

FROM A CORRESPONDENT IN BIRMINGHAM

THE Minister of Health, Mr Enoch Powell, again refused in the Commons on Monday to set up an inquiry into the state of affairs revealed by the report on medical services for old people in the Birmingham hospital region. But if the public surprise and anxiety in the Mid-

lands are any guide the Minister has not heard the last of the affair. Rarely has an official document discussed so openly and in such documentary detail the shortcomings of any part of the hospital service.

The burden of complaint, both in the Commons and on the spot, is that while there may be exemplary landlords there are also bad ones. It is not too difficult, either, to find the impoverished widow who has been lucky enough to pay a few shillings a year and now, on market values, may have to find £20 or more. And there are incidental problems, too, which account for middle-class distress. Mortgages, for example, are hard to come by if the lease has less than 30 or 35 years to run. Some landlords are also insisting that the householder shall only use the insurance firm that they select. (The Church of Wales has been criticised for insisting on giving business to an ecclesiastical insurance company.) All this adds to the hereditary feeling that the absentee ground landlords have never contributed a penny to development, that the leases exist for speculation and profit, and that the original landlords had merely appropriated common land in the beginning.

There have been signs that some of the leading opponents of the system are coming round to the view that, if and when reform does arrive, the landlord who may be compelled to sell the freehold at the occupier's demand will have to get compensation at more than the old 20 years' purchase. This is not quite what a number of their supporters have in mind. So far, however, Mr Brooke seems to believe that the protection available to the occupier under the 1954 Landlord and Tenant Act is sufficient. The act gives the householder continued occupancy in the event of a dispute over renewing the lease, but at full economic rent—which is also unpopular. There may be a case for separate treatment in South Wales if general reform is held to be out of the question. Leasehold arouses little dissatisfaction where the tenant has a choice of the property he can occupy. In many of the South Wales valleys and even in parts of the larger towns freeholds or indefinite leases are still very few and far between. Unless the choice is loosened up, Mr Brooke may find himself with a serious revolt on his hands.

THE ECONOMIST JULY 22, 1961

THE ECONOMIST JULY 22, 1961

emasculated to such a level of neutrality as might be thought more apt for general publication."

It fairly bristles with comments such as: "After adequate pictorial records have been taken (for the sake of the social history of the future) the only thing to be done with East Hamlet Hospital, Ludlow, is to blow it up and rebuild," or "These buildings [Burton Road Hospital, Dudley] were inherited by the regional hospital board as slum property and, as with similar structures in other groups, their only value for the future would lie in preservation as a museum of Victorian social history."

Dr Sheldon minces no words in talking of primitive facilities, typical Victorian workhouses, appalling fire risks, overcrowding, insanitary barrack-like buildings and degrading conditions for patients and staff. His findings have been described by the vice-chairman of the board, Mr David Rhydderch, as "the most damning yet publicised by a regional hospital board. Every word is true, and we have known it for a long time. We accept the report as a challenge, and I can promise the public that if we get the money we shall tackle and resolve the problem."

There, indeed, lies the heart of the difficulty. Since the report appeared Mr Powell has been under pressure from Midland and other MPs to act swiftly, but the official attitude is that the report was part of the board's 10-year development programme and that reports from all the 14 regional boards must be considered before priorities

can be decided. This is an answer which has scarcely satisfied some of the questioners, who, as Mr Victor Yates, the Labour member for Ladywood, said on Monday, are concerned about the "great anxiety" the report has engendered.

DR SHELDON comments, in particular, that: "The dominant feature of the geriatric services is that their problems are not static but actively increasing." Although the regional figure of 1.34 geriatric beds per thousand of population is reasonable compared with the generally accepted yardstick of 1.2, there are serious deficiencies. In the Black Country the figure is only .70; in the West Bromwich area it is .56—a level at which "it becomes virtually impossible for the hospitals to provide a service for the older ages except at the expense of the younger, or vice versa." In any case, Dr Sheldon suggests, a figure of 3 geriatric beds per thousand would be a more reasonable estimate at the present time.

At least six hospitals in the region have conditions so deplorable that he recommends replacement. "Many of our present hospital buildings were never designed to be anything more than human warehouses. An immense effort has been made by many hospital management committees to upgrade these institutions and make them more suitable for modern geriatric work. Nevertheless it would seem better to plan in future for replacement rather than rejuvenation."

But there are brighter spots. "It would

be wrong to leave the matter of buildings without paying a tribute to the devoted work of the nursing staff, who so regularly make the patients happy and contented while themselves working under conditions that are often difficult and occasionally even disgusting." Further, under the chairmanship of Mr Rhydderch, a design team has prepared plans for a Midland geriatric unit designed to be put up quickly and economically at a cost of between £45,000 and £50,000. The board is asking for more than 80 of these units to be included in its 10-year programme.

The units can be used with existing hospitals, thus allowing the patients to stay within their own area. This is regarded as a cardinal principle: "The community should endeavour to look after their own aged sick." The units incorporate space for exercise and occupational therapy, a general purpose room, four single rooms for the noisy patient or the seriously ill and adequate toilet and bathing facilities. Each provides beds for 32 patients and room for day patients: "Patients are happier if they attend a unit where they are known to the staff... patients can become absorbed into a small community where they can fit in and even help in the care of their less fortunate colleagues."

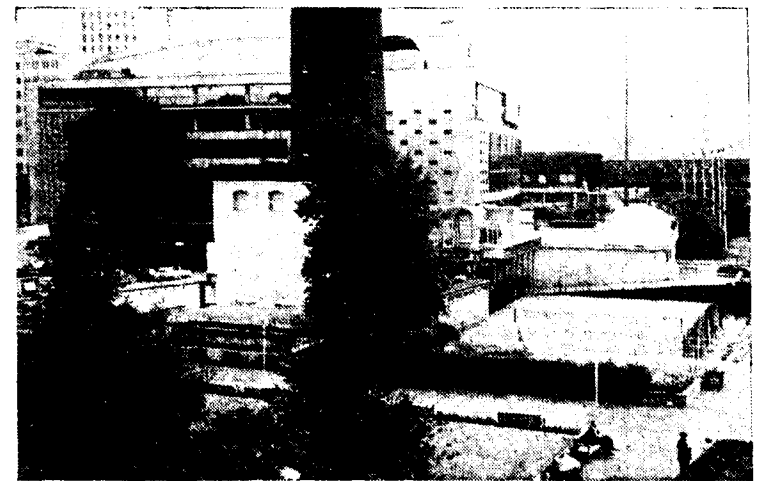
The report fills 227 pages, and took almost 18 months to compile. It reaffirms, in local terms and with great detail, what has been accepted for some time, that the growing pressure on the hospital services in support of the elderly is "a major challenge of the immediate future."

Thespian Chancellor

MR SELWYN LLOYD'S one-night stand in the role of patron of the arts, when he announced last week that the Government is to make available the £1 million allotted to the National Theatre in 1949, was a boon to cartoonists, who promptly portrayed various ministers performing in funny economy hats. This moment of impending stringency does, indeed, seem a funny time to make such an announcement: but, as far as it goes, the Chancellor's statement seems to provide a satisfactory way in which the Government can fulfil its obligation and match London County Council's bold offer to put up the other £1,300,000 which (according to present estimates) will be needed to build the theatre. The Government is also to subsidise the new theatre to the tune of £400,000 a year, to cover drama, opera and ballet performances in the new building.

And there, for some critics, is the rub. Clearly the Chancellor intends opera and ballet to be worked into the scheme. But how, precisely, is it to be done? The Joint Council for the National Theatre includes representatives of all the various quasi-national stages in the country—the Old Vic, the Royal Shakespeare Theatre at Stratford, and Sadler's Wells. The new theatre, for which the joint council now has to work yet another set of plans, would necessarily have to include two auditoria

—and there could still be a need for the Old Vic, just down-river, to provide a second straight theatre auditorium. The LCC, however, seems inclined to leave the present Old Vic building sternly alone. There is a good deal of negotiation and planning to be completed before anyone can pronounce on how the project is likely to shape. But the drawing together of the best existing institutions (with, most desirably, a restaurant serving better food than that at the Royal Festival Hall) might



Site for development

go some way to making a real entertainment centre on the South Bank site. This would make the best use of the Government subsidy (as well as any further grants from the LCC or private bodies). The necessary proviso is, however, that the theatrical performances are put on by a director competent enough—and subjected to criticism tough enough—to ensure that the national theatre does not become yet another monument to the British lack of official taste.

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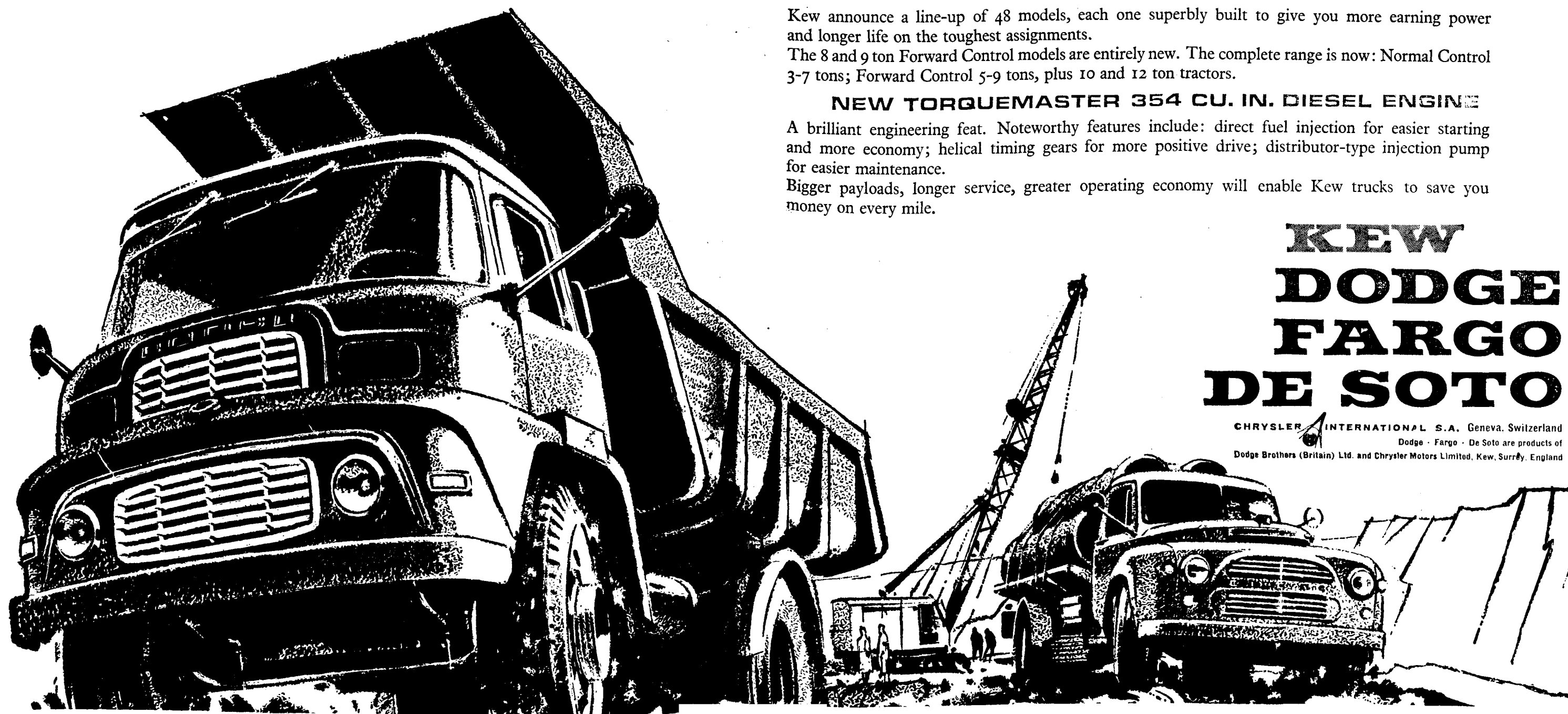
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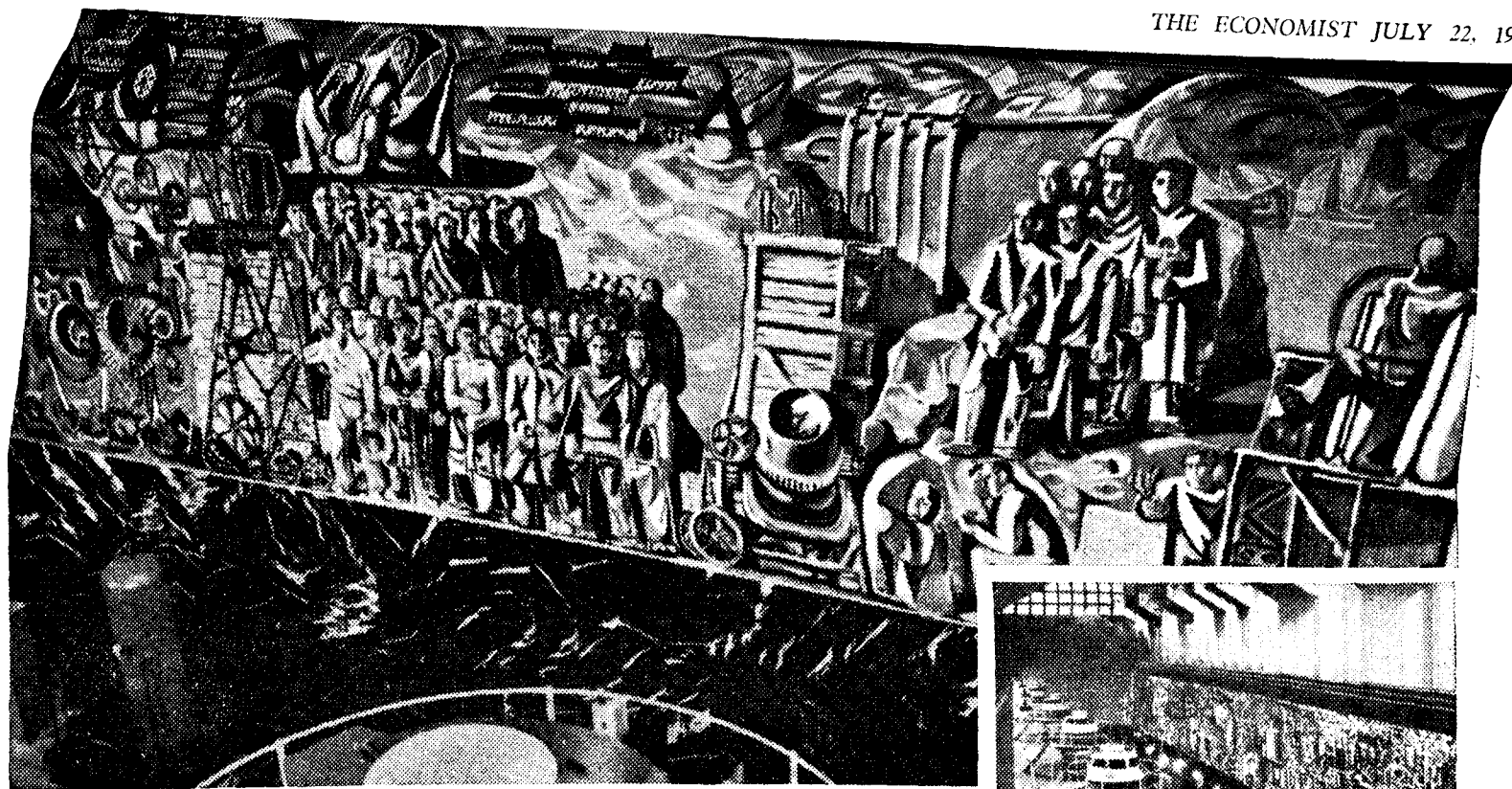
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Striking murals make a showpiece of the power-house inside the Salime Dam in the Cantabrian mountains. The power-station was equipped by English Electric under a comprehensive contract.

NEW FOUNDATIONS IN SPAIN

How she will meet a trebled demand for power

SPAIN has won great credit for her achievements in industrial expansion during the last fifteen years: in particular, steel, cement and engineering have pushed ahead rapidly—three basic industries which make a solid foundation for a strong economy.

It is in the development and use of her electric power resources that Spain can point to her most telling successes. The plentiful supply of power is fundamental to all industrial growth, and Spain plans to treble her 1950 consumption of electricity by 1963.

English Electric in Spain

Britain has had a considerable share in this development, notably as Spain's principal supplier of hydro-electric plant, and The English Electric Company is playing a leading part in many enterprises. Dams at Salime and Silvon in Asturias to feed hydro-electric power to the industries of the north, power-stations

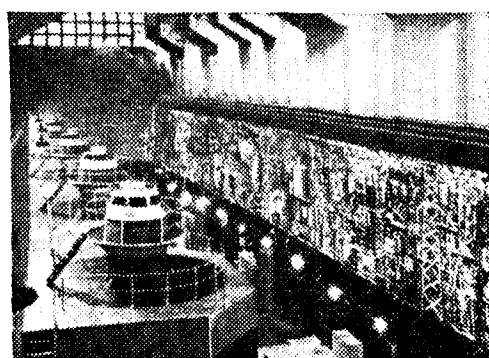
to supply Madrid—for these and other projects English Electric has supplied generating plant, switchgear and motors, while work is now in progress for new stations on the Tagus at Torrejon and Valdecañas, which will together feed 400,000 kilowatts into the Spanish power network.

Another project, now completed, is the great new steelworks at Avilés. For this, English Electric supplied a large variety of electrical equipment under a comprehensive contract. And in the modernization of the railways, English Electric has built 75 powerful new electric locomotives to haul freight in the mountainous areas of the north.

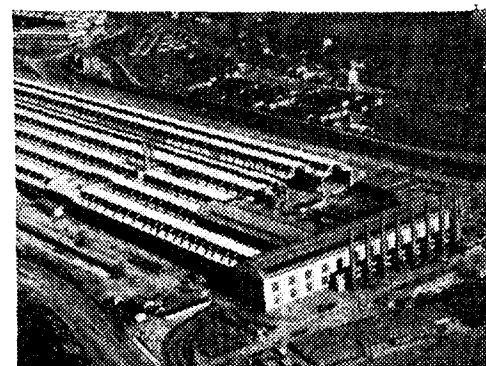
The relationship is mutually fruitful. Spain knows she can depend on the store of technical knowledge, skill and research which lie behind every contract with English Electric, while English Electric gains in Spain further valuable experience, which it can use in other countries and at home.

POWER FOR PEACE 'ENGLISH ELECTRIC'

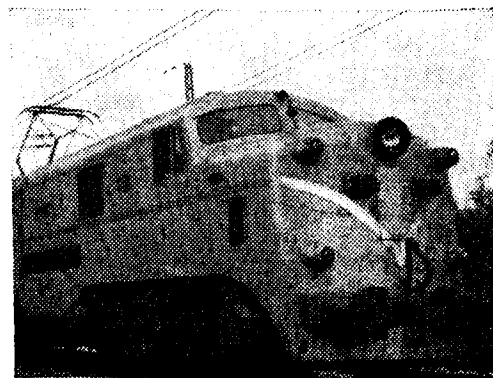
THE ENGLISH ELECTRIC COMPANY LIMITED, ENGLISH ELECTRIC HOUSE, STRAND, LONDON W.C.2



The turbine hall of Salime power-station contains four English Electric 50,000-h.p. turbine generating sets. Transformers, switchgear and control gear were also supplied by English Electric.

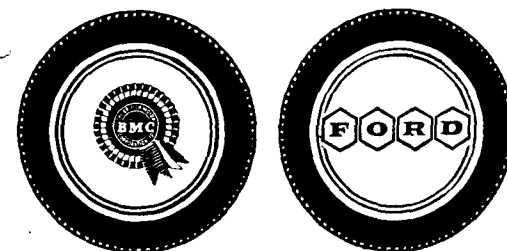


The steel mills of Ensidesa at Avilés. English Electric supplied under comprehensive contract electrical equipment for the three rolling mills, including the first blooming mill twin-drive in Spain.



One of the 75 English Electric 3,000-h.p. Co-Co electric locomotives supplied to the Spanish National Railways (RENFE).

THE BUSINESS WORLD



Big Two in Motors?

It is high time that familiar expression, the "Big Five," as applied to the British motor industry, was publicly interred. As at an international conference table, it is more realistic nowadays to talk of the "Big Two." By the spring of 1960, British Motor Corporation and Ford Motor Company between them accounted for about 70 per cent of all cars sold in this country (with roughly four BMC cars selling for every three Fords) and more than 75 per cent of British car exports. The three smaller members of the big league, Rootes, Vauxhall, and Standard-Triumph International—in that order—share another 20 per cent of the home market, leaving the remainder to imported makes and the British sports and specialised cars, such as Jaguar and Rover. Rootes has roughly maintained its share in the last year, if not in the last two, but S-TI and Vauxhall have lost heavily.

On the assumption that about 800,000 new cars will be sold in Britain this year, which is reasonable unless Mr Lloyd tips the industry back into recession, BMC is likely to market about 320,000, Ford about 240,000, and the smaller three about 160,000 between them. In the boom conditions of 1959 and early 1960, the three smaller companies were in a much happier position; they had increased their share of the home market to more than a quarter as sales rose after the Suez recession, and had been able to attain production runs for certain models comparable with those of BMC and Ford: output of the Minx, for example, was second in numbers only to that of the Anglia. Now their chances in the low-priced car market have become, even for Rootes, problematical.

The competitive position of these "Next Three" appears even less comfortable in view of the rate at which their present manufacturing capacity is being worked. In May this year, their output averaged only about 50 per cent of capacity, while both Ford and BMC were running as close to their capacity as labour troubles among BMC's suppliers and at Ford's Dagenham plant allowed. The difference in the profitability of operations between the "Big Two" and the "Next Three" has probably been even greater than the difference in their actual production: only Vauxhall among the smaller three has a very large commercial vehicle section to fall back upon. Out of the entire industry, only BMC and perhaps Ford (since it introduced the Classic) still lack capacity to meet demand for all their cars at this summer season of peak sales.

Why have the two largest car manufacturers strengthened their hold on the British car market? Last winter's slump

in home sales and exports was the immediate cause, for it cut demand below the industry's capacity for the first time in three years. The smaller firms, too, had relied heavily on sales in the North American market; and the collapse there undermined their efforts at home. BMC and Ford, again, had introduced new models more recently than the other three companies: except for S-TI, which had brought out the Triumph Herald, the smaller groups were caught with relatively old models as their biggest selling lines. The BMC babies and the Anglia would not nominally be considered competitors for the Minx, Herald and Victor. But the upgrading of style and performance in small cars that they represent has made them competitive. The Anglia in particular has taken sales from the Minx and the Victor, and the Minis from the Herald. The combination of excellent handling qualities and good performance, even at the expense of appearance, that was intended to put the Mini-Minor and Austin Seven in the utility car market has in fact given them a social status and an appeal to sporting drivers that has made them competitive, in a sense, with almost any car up to a Jaguar. They have limited the opportunity for any more expensive small car avowedly designed to confer social status on its owners. Mini-Minors now account for a quarter of BMC's sales in Britain, and have been the most important factor in its growing competitive strength.

BUT BMC and Ford have not gained all their increased dominance from the appeal of their small cars. Their older and larger models, such as the various versions of the A55 and the Consul and Zephyr, have all proved to have a stronger sales appeal than comparable models from the smaller manufacturers. The BMC bigger cars still sell well, if for exactly the opposite reasons to those for the Minis' success. Ford added to its range last month with the Classic; though this clearly will not sell in such large numbers as a cheap car like the Mini-Minor, its sales may for the most part be a net addition to those of the company and so to its market share—partly at the expense of BMC's 1½ litre cars, but more, one might expect, of the Minx and Victor. One factor that has helped the biggest companies and hampered the others, Vauxhall and S-TI more than Rootes, is the resale value of their cars; when prices fell last year, those of the biggest companies' cars fell less than those of the others.

Alterations in the expansion plans of the smaller companies, following this further decline in their market share, have been smaller than one might expect. Either the optimism that characterises the motor industry is indestructible, or these makers consider that their only hope of survival is to increase production with help from new models. Vauxhall is the only firm that has publicly admitted modifying its plans, though it seems that S-TI has also quietly postponed a large part of its new schemes.

Vauxhall has switched its emphasis from cars, its fastest-growing market when the plans were made eighteen months ago, to lorries which have become the brighter part of its business. While Vauxhall's share of the car market has fallen, Bedford trucks have gained sales both at home and overseas. The new plan for 1963 is for a manufacturing capacity of 250,000 cars against 200,000 at present, and against an increase to 300,000 that had been announced earlier. But the company now envisages being able to produce 150,000 commercial vehicles, instead of the 100,000 for which it was planning earlier (a figure that has in fact already been attained). Vauxhall still intends to build a new factory at Ellesmere Port on the Mersey; but this will make mechanical parts for assembly into vehicles at the firm's car and lorry factories in Luton and Dunstable, instead of complete commercial vehicles.

The S-TI group says that its long-term expansion plans remain unchanged, and that it still intends to build a new press shop and sub-assembly factory on Merseyside, in addition to an extension, which is now nearly finished, to its existing body plant there. This extension is intended as much to make the company less dependent on outside suppliers as to increase capacity. But no date for starting the new factory has been given.

Rootes has more plainly kept to its original expansion plan. The principal feature is the new factory now going up at Linwood, in Scotland, to assemble the small car that the company intends to add to its range in the autumn of 1962. This plant will be capable of turning out about 150,000 cars a year. In addition, Rootes is still doggedly pursuing its intention of increasing the capacity of its existing factories in the Midlands for the size of car it makes now and for commercial vehicles. In all, it seems that Rootes is aiming to step up its capacity for cars by as much as 80 per cent.

The new facilities planned by the two bigger companies are more certain of being fairly fully used soon after they are available. The first of the new BMC factories, that at Bathgate in Scotland for lorries and tractors, should be ready this autumn; when truck and tractor production is shifted there from Longbridge and other Midland factories, BMC will have capacity for another 1,500 baby cars a week. When the new assembly hall at Longbridge and the new body pressing plant at Llanelly start production next spring, capacity for the BMC babies will reach the target of 8,000 a week. The new Pressed Steel body plant at Swindon to make bodies for BMC will be ready early next year too, though the date of its commissioning has yet to be announced. This may add perhaps a further 4,000 cars a week to BMC's capacity, with the ample room for additional assembly at Longbridge.

Ford will have to wait a little longer for a substantial increase in capacity. Although it has now moved all lorry and van production from Dagenham to Slough and Southampton

respectively, making more space at Dagenham to produce mechanical parts, its assembly capacity for cars is not much higher than the present output of around 9,000 a week. The new plant at Hailewood on Merseyside will provide body building and assembly capacity for an extra 4,000 cars a week, but it is not due to become available until the autumn of 1962 and appears, too, to be slightly behind schedule.

WHAT chances have the three smaller companies of winning back a bigger share of the market from BMC and Ford? They have gained a little from shortages of BMC and Ford cars this summer; in the longer run, all depends on the next round of new models that they introduce. S-TI, for example, has been able to make something of a come-back with its Herald 1200. But the three companies are likely to find, as have smaller firms in the American motor industry, that the biggest manufacturers can afford to change models more often because they have so much larger annual outputs over which to spread the cost of tooling. The improvement in the engineering standards of BMC, which is likely in the long term to change all its popular cars to the front-wheel-drive layout that has proved so successful on its baby cars, will make it more difficult for the smaller companies to offer better engineered cars; while the increasing emphasis placed by Ford on styling is making it more difficult for them to offer cars that are decisively smarter.

ESTIMATES OF THE INDUSTRY'S CAPACITY

	Now		1963	
	Cars	Comm. Vehicles	Cars	Comm. Vehicles
BMC	575,000	185,000	900,000	275,000
Ford	500,000	125,000	700,000	160,000
Rootes	220,000	30,000	400,000	50,000
Vauxhall	200,000	110,000	250,000	150,000
S-TI	175,000	25,000	200,000	50,000
Others	60,000	50,000	75,000	75,000
Total	1,730,000	525,000	2,525,000	760,000

Their best chance of winning a substantial increase in their share of the market may be to find some need that the bigger firms are failing to satisfy, as American Motors did with the compact car in the United States. Its achievement showed that a small firm can save itself from the jaws of death with one successful model. But the traditional diversity of the British makers' model ranges makes it more difficult to find such a gap: S-TI's intelligent though slightly expensive entry into one has been partly spoiled by the unexpected popularity of the BMC babies. Though we may see fewer models in the future, it is all too easy for a big producer to offer a variant on a basic model made in really large numbers to satisfy the sort of specialised market that the smaller concerns might seek to concentrate on. Rootes faces a difficult task indeed with its plan to invade the small car market with a car "different" from those of BMC and Ford.

The first test of the smaller concerns' ability to earn their living will come this winter; the decisive one may be in 1963, when BMC and Ford will have all the capacity they are likely to need, and the other firms can no longer get orders that these firms cannot meet. Unless they have been able by then to produce some new models of significantly greater sales appeal than those of BMC and Ford, one must doubt their ability to claw back a big enough share of the market to allow

them to go on competing in the mass-produced car market—barring any technical innovation that might radically reduce the cost of tooling.

The association of two of the three smaller companies, S-TI and Vauxhall, with flourishing commercial vehicle manufacture at least assures their future existence. If new models should fail to raise their car production to adequately profitable levels, one can see them concentrating their activities on commercial vehicles. It is certainly hard to imagine General Motors or even Leyland (the respective parent companies) amalgamating with BMC or Ford, though they might be pre-

pared to sell parts of their car factories that they did not need to make light vans. Rootes has nowadays only a small commercial vehicle business, though it is trying to enlarge this; and must stand or fall as a car maker. So far it has declined possible amalgamations with S-TI or Rover, and chosen to stand alone. There should be room for another company after BMC and Ford in large-scale production: probably Rootes and Vauxhall will have to fight it out for this place of third producer. At present Rootes is in much the better position; but General Motors is likely to fight for its place in British car manufacture.

Government in Science

THE day after the House of Commons held its first-ever debate on science policy, Major Yuri Gagarin arrived in this country and Soviet officials took the opportunity over lunch to give the new Parliamentary Secretary to the Minister for Science a lecture on the effectiveness of Soviet planning in research. It so happens that Lord Hailsham's unique un-Ministry is currently preoccupied with the more delicate exercise of planning scientific research without appearing to do so. His appointment as Minister for Science nearly two years ago was an attempt to find a workable compromise between this country's old and honourable traditions of scientific freedom and the obvious fact that large sections of British industry could fossilise during the next decade, failing an injection of technological plasma into their thickening arteries. Despite a noticeable change in the air since Lord Hailsham's appointment, has the compromise come off?

In the first place, Lord Hailsham is not Minister for Science, period; he is only Minister for Some Forms of Science. The government as a whole is spending more than £300 million a year on research and development in its various forms, but only a third of this comes within Lord Hailsham's bailiwick. To be precise, he is answerable to Parliament for the £80 million that the Atomic Energy Authority will spend on research, production (though not weapon production) and building this year, for the £15 million that will be spent by the Department of Scientific and Industrial Research, the £6 million to be spent by the Agricultural Research Council, the £4 million of the Medical Research Council and the £500,000 of the Nature Conservancy. Apart from atomic energy, none of these is a spender of big money.

Much larger sums, probably running now at about £250 million a year, are spent by the defence departments on research, though not exclusively on weapons research. The Ministry of Aviation, which handles most of these funds, is responsible for research on civil as well as military aircraft and for a sizeable whack of space development; it also sponsors much research in the electronics industry, one of the fastest-growing forms of technology in this generation. Other departments than Lord Hailsham's office, again, are responsible for fuel research and research into communications; and he has virtually no say in the affairs of the National Research Development Corporation, which answers to the Board of Trade for the way that it lends out its £10 million grant to finance new technical developments.

There may be good administrative reasons for this division of responsibility, although the suspicion must remain that it has just grow'd like Topsy; and no one is specially anxious to have the trouble of un-growing it again. Since the government is paying for an estimated two-thirds of all the research done in this country, there might be some advantage in having the whole distribution of scarce scientific resources under continuous review from one central point.

The present arrangement seems to place almost excessive reliance on Lord Hailsham's powers of persuasion, impressive though these are. He has no financial control even over those institutions for which he is nominally responsible. Each of them negotiates directly with the Treasury each year and calls on the Minister for Science only if the Treasury refuses to give them all they ask. This is said to result in a higher general level of government support for science than would be the case if the Minister had a science budget out of which he allocated resources at his own discretion. But it deprives him of the authority of handling the purse-strings.

An analogy is sometimes drawn between the powers and the position of the Minister for Science and those of the Minister of Defence. Both, it is true, are nominal overlords of a group of spending departments, and both are formally responsible for co-ordinating the policies of those departments. But here the resemblance ends. There is such a thing as a defence budget and there is an annually reviewed defence programme. Science has no equivalent of either of these and perhaps could never have; so the weakness of the historic first debate on science policy arose in no small part from the fact that MPs did not know what they were talking about. They had no information about what, precisely, the government was doing in the field of science, how much it was spending, how the effort was distributed among the various disciplines, and its policy for the future. To discover even so simple and basic a fact as the amount the government spends on research, it is necessary to wait for the three year review carried out by the Department of Scientific and Industrial Research: the latest available figures are themselves three years old. They show that in 1958-59, the government spent more than £300 million, and the country as a whole about £480 million, on research and development. Half this total came then from the defence departments and 28 per cent from industry; but a rapid shift may have been taking place between the ratios of civil and military spending since then. Yet accurate information is

essential: the government is constantly under pressure from sectional interests to support, in the name of "science," projects that are not scientific.

Scientific research is a means to more than one end; but one of the most important is certainly the technical strengthening of British industry to help keep the economy viable. Lord Hailsham's main interest at present is not so much extracting money from the Treasury for science, but trying to arrange that what research is done is properly done and that its potential results get practical application. Heavy government-financed spending on research in the aircraft, electronics and atomic energy industries at least enables them to make use of the results. Indeed, these industries actively press for advances at the extremes of technique; and the new processes, degrees of precision and new materials that they require do filter back into the general practice of the engineering industries.

In spite of its vast importance as a spender on advancing technique in defence-orientated industries that offer considerable by-products to the rest of the economy, there are inherent limits to the government's power to promote technical development in a free economy. It can pump money into the Department of Scientific and Industrial Research. It can subsidise collective research for industries from the largest to the smallest. It can get rough, as it has done recently, with the staffs and directors of its research establishments, hoping to make these operate efficiently on projects that should be of value to the industries they serve. But it cannot drag managing directors of individual companies by the hair into those laboratories and force them to apply the results to their own atrophying production techniques. Too many companies seem to think the annual subscription to their research association absolves them from the need to take any further interest in the distasteful subject of research and new methods. It is not inevitably the small industries that are at fault; many small and some very old industries make quite good use of co-operative research through government-sponsored research associations. It could be argued that the bigger, stronger companies can be relied on to do their own research, or at least develop the results of research into commercial production; and many do. But some of the country's most powerful industries, and even of its biggest traditional exporters, are coasting along on past knowledge. These illustrate what is happening to the British manufacturing economy today: less developed countries are catching us up, and more lively developed competitors are bringing out new products that we cannot match.

LACK of interest in or respect for government research is not always industry's fault. Some industries may shut their eyes to the need for research, but sometimes whole laboratories shut their eyes to the needs of industry or to the need to make results intelligible. The purpose of a given piece of research and the way it could be used in industry very often need to be spelled out in fairly simple language before the average production manager can begin to grasp its importance. This may reflect badly on a company's lack of properly qualified staff, but scientists must take industry as they find it. The DSIR realises the need for improving communication here: it is trying to make it easier for industry to understand what the government-sponsored research associations are doing.

There are signs also that the government intends to put more positive pressure on industries that are not making adequate efforts in research and it has several means of doing so. One is the type of public inquiry that recently pilloried the machine tool and shipbuilding industries for their scientific backwardness, and that is now being carried out in, among others, the textile machinery industry. This has its own problems: official reports pillorying British industries are gleefully quoted by competitors abroad, and the quality of the investigators is not always beyond challenge. But these reports do offer some spur to further action. Conversely, there is the threat to withdraw government support from co-operative research associations that are not properly supported by their industries; this reverses the old policy of doing everything possible to keep research alive among the unbelievers. Yet a third might be the rarely-used power to enforce a compulsory research levy on a whole industry.

A fourth, positive step is the industrial development contract. All defence work and much civil aircraft development are done by this means; the government sometimes finances all, and sometimes only part of the cost of development, on the argument that this is too heavy for a manufacturer to bear alone—particularly in defence where there is primarily only one customer. The DSIR was given powers, a year or so ago, to place the same kind of contracts in industry. This is a new, and so far hardly tried tool outside the specialised defence industries, though the Post Office and other nationalised industries sometimes use it. Some development contracts are being placed for advanced machine tools; and there is probably a case for offering development contracts for certain high-speed computers.

Gaps exist also in basic research; the Advisory Council on Scientific Policy, last autumn, singled out astronomy, seismology, pure mathematics, oceanography, and taxonomy, and readers may like to make their own additions. Where progress is hampered by the high cost of equipment, the government can help by paying for one large installation to be used co-operatively by several universities; it is providing experimental nuclear reactors on these conditions and may do the same for telescopes. But where the scientific discipline is unpopular, there is little the government can do; graduates cannot be forced into branches of science in which they are not interested, nor can universities be forced to make those branches more attractive. It has taken much coaxing to persuade Cambridge to aid seismology.

If the purpose of Lord Hailsham's appointment was to introduce some over-riding co-ordination into the government's scientific policy, then he cannot be said to have got very far. But if its purpose was rather to plug some of the gaps in British science, then he has probably done as much in two years as any man can. Drastic reviews have been carried forward of the work of the laboratories directly under his control; some have been closed down and others may be opening others. Major shortcomings, in the laboratories, in industry and in the universities have been publicly exposed—and so, incidentally has the myth that Britain is short of scientists. Some of this was in train before he was appointed; but he has supported a fairly radical scrutiny and given it a public voice. Positive, corrective action to improve the shortcomings will prove more difficult and it is not even clear whether Lord Hailsham has yet a fully adequate prescription, let alone the powers that he would need to apply it.

BUSINESS NOTES

THE ECONOMY

More Input, But No More Output

IF the Chancellor did not happen to be in the final stages of devising measures to restrain demand and cut output back, the conventional reaction to this week's news of industrial production in May would be concern that it still showed no significant rise from the plateau along which it has jogged for over a year. As he will presumably be anxious to ease the pressure of home demand on the factories, the failure of total industrial output to rise may not bother Mr Lloyd much; his anxieties centre on costs and on the amount of their output that industries manage to export. The rise in costs, particularly labour costs, has resulted primarily, however, because employment and wages have risen while output has not. Whether lowering total demand and output, which will probably further increase labour costs, would be more successful than letting home demand flow unchecked and just possibly getting some more output out of the existing labour force, though leaving management freer not to bother about exports, is one of the nice points he is no doubt still considering.

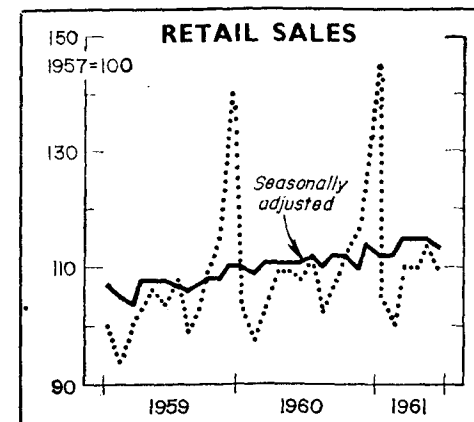
In itself, however, this little-more-than-level course of total industrial production remains puzzling. Since output turned upward in late 1958, we have had an increase of some 15 per cent in production, with an increase of about 3 per cent in industrial employment; but that was achieved by the beginning of last year. It seems a rather limited return on the biggest wave of industrial investment ever put into this economy. Was much of the investment between 1954 and 1960, then, misdirected or misapplied? The current pattern of demand, perhaps, is geared a little less towards consumer goods and a little more towards investment (construction and capital goods manufacture, both relatively labour-intensive) than the businessmen deciding on that investment may have expected. And the builders of plant and machinery have certainly given more thought to re-equipping their customers, which yields money, than to re-equipping themselves, which costs it—though the one process cannot sharply be dissociated from the other. Much capital equipment is wholly or largely custom-built; and certainly Britain's capital goods industries have been modernised much less than most of the engineering or process industries that make intermediates or goods for the final consumer. Britain in recent years has drummed up some business, not quite as cyclical as of old, for the capital goods industries; but perhaps the task of strengthening resources in these industries to do that business efficiently is

largely still before us. It would certainly be disconcerting to have to accept that the successful diversion of resources into capital investment (and machinery exports) from consumption, which is a gain in economic efficiency, must needs mean employing these resources with lower technical efficiency.

Is Consumption Moderating?

ON the side of demand, retail sales are said to have dropped somewhat in June, with the value of total sales, allowing for seasonal variations, likely to be about 113-114 (1957=100) against 115 for each of the previous three months. This probably means that retail sales last month—when the warm weather may have tended to reduce the amount of food people bought—will have been lower in actual volume than a year before, in June, 1960. In that month, the index of retail sales stood at 111, so that the value last month was only 1½-2 per cent higher. And during the twelve months prices in the shops had probably risen nearly 3 per cent. The total index of retail prices, which takes account of elements of spending such as rents which have risen more than prices in the shops, had reached 114.6 (January, 1956=100) by June, against 110.9 in June, 1960. One cannot make too much out of one unusually slow month in the shops; but there are hints from manufacturers of durables and cars that even apart from what Mr Lloyd may do the shine was already gone off their orderbooks.

The latest indicator of capital investment, provisional statistics of industrial building schemes issues with development certificates during the second quarter of the year, shows that rather fewer schemes, which however

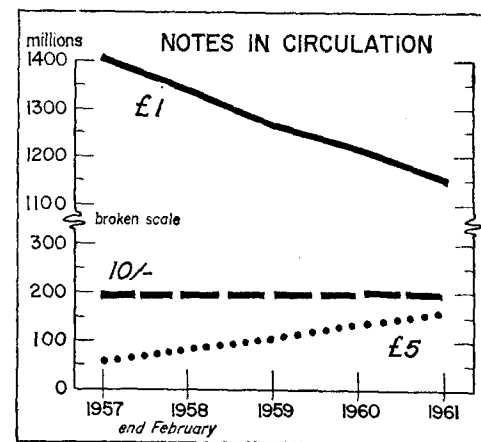


totalled about 28 per cent more floor space, were approved than in the first quarter of this year. Both the number and the factory area approved, however, were much lower than in the early months of 1960. So far as the building of new plant is concerned, that 1960 peak may by now have moved onward to the actual sites; and emphasis may be shifting to the hardware to fit into the factories.

The Bank's Prescription

THIS year the Bank of England's annual report returns to the slim shape it enjoyed before the Radcliffe Committee goaded it into explaining the Bank's policy. Since the bulk of the explaining is now done, and of late much better done, by the quarterly bulletin, it remains for the annual report to put the year in perspective.

The report has no doubts about the causes of our present troubles. It is the repetition of the old story: increasing home demand; rising stocks of imported materials; and full employment—all coin-



ciding with a deterioration in the balance of payments, this time intensified by the virtual disappearance of invisible earnings and hidden by the inflow of foreign funds. Not that the report disapproves of capital movements: generally they "can be welcomed if they take place in response to changes in interest rates" since they can provide time for steps to be taken to correct underlying disequilibrium. This is the chance that Britain missed in 1960. Speculative movements on the chance of parity changes however are a different matter. In this connection the Bank characterises the revaluations of March as "a serious shock to confidence" from which recovery is likely to take some time.

Under the Basle arrangements between the European central banks and the active policy of the IMF, the Bank concludes, "the major currencies are now in a far stronger position than they were before to withstand the pressure of short-term money

movements." But these arrangements do not change basic situations; they only give time for longer-term policies to have effect:

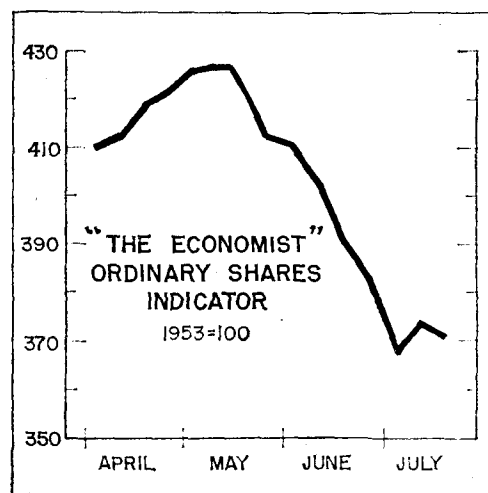
No effort should be spared to correct any underlying weakness in the balance of payments. The United Kingdom is enjoying high levels of prosperity and employment. If they are to be maintained they will have to be earned in an increasingly competitive world.

IN THE MARKETS

Man Tuesday

ON Thursday there was no prologue to Mr Selwyn Lloyd's swelling act. Bank rate being left unchanged at 5 per cent. But by the middle of the week the money market and gilt-edged markets had even stopped asking whether there would be a change before next Tuesday. They like the rest of the stock market were apprehensive Robinson Crusoes, wondering quite what the faint footprints in the sands of the Chancellor's week-end statement and the economic debate foretold. Would their Man Tuesday be a cannibal or a savage friend? They could not guess, but what was significant was not that gilt-edged prices drifted idly or that equities fell to the lowest point of the year on Monday following the Chancellor's week-end speech but that equity prices rallied sharply in the following days.

The volume of selling was small and the jobbers slashed prices ruthlessly to discourage selling. But once the *Financial Times* index had fallen close to the 300 mark, a fair number of private investors were prepared to take a chance and buy. The hint in the economic debate that dividends as well as wages might be frozen did not lead to another fall in prices. Indeed, they continued to rise, rather to the jobbers' surprise, though admittedly, the bids were only for small quantities of the bluest of blue chips. Buyers were taking the long view that at current prices and yields some equities are cheap and might even offer a short term gamble that Mr Lloyd's measures and regulators will not be terrifyingly savage and that he may draw back



from imposing the absurd clamp of dividend limitation.

Private investors have made all the running and the institutions have stayed out of the market. They have reasons of their own for doing so in addition to the economic uncertainty; not the least of these is the call being made on their funds by new issues and property participations (of which the arrangement between Capital and Counties and Norwich Union Life and the Prudential is the latest). With fixed interest securities, the institutions are now calling the tune: the Rothschild Investment Trust has placed a small debenture at just under 7 per cent to redemption while Wiggins Teape's £4 million issue of a 6½ per cent debenture, 1981-86, at 98 offers £6 18s. 5d. per cent to redemption. With such fixed interest yields on offer and with plenty of rights issues around, it would be extraordinary if the insurance offices' appetite for equities was as keen as it used to be. But those who look for silver linings will not miss the significance of the remarks by the sponsors of the Tilmanstone Investment Trust that "profitable opportunities for investment will continue to arise" and by the sponsors of the Rothschild Investment Trust issue that "over the next few months there are likely to be attractive investment opportunities in the United Kingdom."

STERLING

A Little Stronger

THE underlying mood in the exchange markets appears to have moved in sterling's favour this week. Certainly there seems to be an inverse relation between the amount of misery British Chancellors offer as a solution to Britain's problems and the outside world's confidence in sterling. Mr Selwyn Lloyd seems to have offered just the right amount of gloom in his speech of last Saturday to provide a rally in sterling.

On Monday the spot rate on the dollar hardened from \$2.78½ to \$2.78¾, a rise that was more than could be accounted for by the covering of essential needs by holders who had gone short of sterling over the

weekend. The market put the improvement down to bear covering in the belief that next Tuesday's measures will remove any chance of a fall in the sterling exchange rate. The Bank of England has given no official support this week and the market has detected small purchases of dollars by the Bank when the spot rate has improved beyond \$2.78½. This improvement in the spot rate has been accompanied by reductions in the discount on forward sterling. By mid-week the forward discount on the dollar on a three months' swap had fallen to the equivalent of ¾ per cent per annum, against 4½ per cent in the previous week, while that on the Swiss franc was 5 per cent after touching 6 per cent last week. Some of this firmness may have been attributable to reports from New York that Britain intends making a "substantial drawing" on the IMF. These reports have not been confirmed in London, but such a move would certainly be a welcome adjunct to next Tuesday's measures. Following the announcement of an unchanged Bank rate the spot rate weakened to \$2.78½ in a very quiet market.

OVERSEAS TRADE

Half-Way Stage

IF the provisional figures for overseas trade in June are not exactly glorious, they at least dispel fears that an even bigger trade gap was budding in May. Exports (seasonally adjusted) which had dropped from £306 million fob to £282 million in May, recovered promptly to £331 million in June. In the past two months, exports have therefore been running at about the same level as in the first half of the year, and about 3 per cent higher than the average for the whole of 1960. The dock strike that was prolonged into May seems to have shifted into June some exports that rightly belonged to May, but whether £24 million of exports would have been affected in this way is doubtful. Disappointing motor car exports have been holding back the improvement in total exports this year and some recovery in June would not be unexpected.

Imports at £366 million cif show scarcely

any change from the figure for May, but in the second quarter imports were 6 per cent smaller than in the first three months of the year, and in the first half of the year they were 1½ per cent lower than the average for 1960. The average for the second quarter was £7 million a month lower than the most favourable quarter in 1960. Even so, in view of the relatively static level of industrial production for most of this period they could have been expected to fall further.

However, the nightmare of a trade gap of the proportions of that of 1960 seems to have vanished with May. After the bulge in exports in June the crude trade gap (exports valued fob and imports on a cif basis) has been cut from £72 million to £53 million a month in the first half of the year. A further improvement of about the same order will be necessary in the next six

UNITED KINGDOM TRADE

(Seasonally adjusted: £ million per month)

	Exports fob	Imports cif	Re-exports fob
1960 2nd qtr.	295	375	11
3rd "	290	385	13
4th "	295	390	12
1961 1st "	309	385	12
2nd "	306	362	13
1961 Jan. ...	318	398	12
Feb. ...	307	383	11
Mar. ...	301	375	12
April ...	306	354	12
May ...	282	365	13
June* ...	331	366	15
Jan.-June* ...	308	374	13

* Provisional.

months to put the true balance of merchandise trade into credit this year. During the second quarter, some further deterioration in invisibles might have occurred. To judge from the Chancellor's statement last month, the government was only then beginning to draw in its horns and cut its expenditure abroad; the revaluation of the deutschemark in March will not have helped here. The balance of payments for the half-year is therefore unlikely to provide any pleasant surprises.

Although the export credit guarantees offered by ECGD have been improved, the latest quarterly figures show only a modest increase in business. Complaints about the inadequacy of its services may therefore have been exaggerated. New commercial insurance in the second quarter of 1961 was £189 million, 17 per cent higher than a year ago, but below the £195 million recorded in the first quarter of 1961. The value of short-term policies outstanding rose by only £17 million to £777 million during the quarter. The volume of

medium-term business, which tends to fluctuate fairly widely between quarters, fell to £13 million, compared with £30 million in the previous quarter and £39 million in the corresponding quarter of 1960. The bright spot is the guaranteed loan scheme introduced last April. Already five projects involving some £40 million have been authorised, although this does not necessarily mean that the British exporter will get the contract.

HIRE PURCHASE

Thumbs Down for Old Cars—and New?

UNITED DOMINIONS TRUST has made itself popular with its fellow finance houses, but alarmed the motor trade, by its decision to handle no hire purchase business on cars more than five years old unless the dealer selling one takes responsibility for any losses. These older cars are the sort on which the finance houses have lost most in the past, because they have fallen sharply in value—so that the owner may find that the car is worth less than he owes on it—and they are the most likely to break down. In either case the owner is tempted to default. The other finance houses are therefore likely to follow UDT's lead, though they may not all draw the line at the same age of car; some think that five-year-old cars are still reasonable risks, but none wants to finance cars that will be ten years old by the time that they have been paid for. The reason for this decision is underlined by the results of UDT for the year to June 30th, when profits fell sharply from £3.8 million to £2.4 million. UDT has made substantial provisions for bad debts and unexpired risks, of which an exceptional provision of £500,000 forms part. The ordinary dividend has been maintained at 26½ per cent on the capital as increased by a one-for-two rights issue and it is now covered 1½ times.

The motor trade fears that the result of UDT's move will be a sharp fall in the prices of the older cars, which have already been declining in the past three months. The finance houses may then find that they have more defaulters on recent hire-purchase contracts, as owners see the value of their cars fall below the amount they owe for them. The lower prices will also affect new car sales; even though few owners of really elderly cars are numbered amongst the buyers of new cars, they are likely to be potential buyers of the used cars that are part-exchanged for new ones. A sharp fall in the value of their cars can quickly affect that of newer models, and at one remove the part-exchange allowances that dealers can give when selling new cars. And if dealers find it difficult to sell their stocks of old cars, as they did a year ago, these will form a block to the movement of cars through the trade that will make dealers unwilling to take any used cars in part-exchange for new ones. There are already signs that this is happening, with dealers offering cash buyers discounts, or at least free accessories. But new car sales remain high; in June they equalled those of a year before at 84,000.

An autumn recession in new car sales is more probable after this latest move from the finance houses; a combination of lower prices for used cars and perhaps of increased purchase tax on new cars might well produce a repetition of last winter's conditions. These would seem certain to arise if the industry's worst fears are

realised, and any increase in purchase tax is regarded as temporary. Buyers might then hold off during the winter, much exaggerating the seasonal fall in sales, perhaps returning in the spring—when, according to past experience, the Chancellor might feel able to ease the industry's lot and thus to heighten the seasonal boom.

SHIPBUILDING

Investigations for Ever

THE latest prescription that Mr Marples has produced for the ills of the British shipbuilding industry is an investigation of the reasons why some British shipbuilders have placed orders abroad. This, he told the House of Commons last week, should show where the British yards are less efficient than their foreign competitors—something which, one might have thought, any British management that had the qualities necessary for its future survival might already have found out for itself. Certainly any shipyard that does not know whether its foreign competitors work one or two shifts a day, which was the example Mr Marples gave of the sort of information that this survey could produce, is ignorant of the ways of the business world. And though Mr Marples was at pains to emphasise that this investigation implied no criticism of British shipowners who have bought ships abroad—which would scarcely be appropriate since the British industry presumably hopes to go on getting export orders itself—his many references to the £140 million of orders lost to the British shipyards in the last three years are liable to produce this impression. So are the remarks of Vice-Admiral Hughes Hallett, parliamentary secretary to the Ministry of Transport, who said that "British shipowners would very soon be in jeopardy if they were forced to depend to any large extent upon foreign shipbuilders." This is, after all, just what Britain wants foreign shipowners to do.

Research in the shipbuilding industry is still, it appears, a matter for discussions between the Ministry of Transport, the industry, and the Department of Industrial and Scientific Research. The most positive statement that Admiral Hughes Hallett would make was that the British Shipbuilding Research Association might be developed into a research organisation that studied the design of ships—which is at present outside its scope—as well as methods of building them.

Mr Marples pointed out that the British shipbuilding industry has one great advantage over those of most other countries; the needs of British shipowners account for about 70 per cent of its normal output. And the greater ease with which the building of a British ship can be supervised if it is built here goes some way to offsetting higher building costs. This seems quite a large enough cushion to soften the effects of foreign competition—much of which comes

HOW EQUITIES HAVE FALLEN

Leading equities are ranked here in the order of percentage falls since the peak in the middle of May

	Price and Yield per cent May 15	Price and Yield per cent July 20	Changes since May 15 per cent		Price and Yield per cent May 15	Price and Yield per cent July 20	Changes since May 15 per cent
FT Ordinary Index	365.7	4.22	312.0	5.04	ICI	80/-	3.44
The Economist Indicator	427.2½	4.28½	370.4	4.99½	GUS 'A'	59/-	3.18
Beecham	51/9	2.90	49/3	3.05	BMC	17/-	5.88
Marks & Spencer 'A'	115/10½	2.05	109/9	2.16	Tube invest.	80/9*	3.47
Sears 'A'	34/10½	3.58	32/10½	3.80	GKN	108/7½	2.95
Lancs Cotton	59/3	8.44	54/4½	9.20	Bowater	66/3	4.15
AEI	42/9	7.02	38/6	7.79	P & O	43/7½	5.04
Watney Mann	96/9	3.72	87/-	4.14	City Centre	64/3	1.97
Unilever	154/3	3.18	138/-	3.56	APC	96/9	2.27
Turner & Newall	72/-	3.33	63/7½	3.77	United Steel	66/9	4.67
Dunlop Rubber	28/9	5.51	25/1½	6.30	UDT	205/-	2.59
"Shell" Transport	139/-	4.89	120/9	5.63	Lloyds Bank	78/-	2.79
Legal & General	37½	1.26	32½	1.46	EMI	48/3	3.63

* Ex dividend.

† May 10th.

‡ Adjusted for scrip issue.

§ July 19th.

from countries such as Sweden and Germany, which can hardly be accused of obtaining lower costs by paying lower wages.

LONDON AND MANCHESTER ASSURANCE

Directors at Odds

NOW that the former chairman of the London and Manchester Assurance, Lord Grantchester, and the new chairman, Mr Lewis G. Whyte, have published their statements it is clear that there was a genuine difference of opinion between Lord Grantchester and the rest of the directors on how to respond to tentative proposals for a merger from Eagle Star. It does no injustice to either party to say that the kernel of the matter was that Lord Grantchester was prepared to consider the letter from Sir Brian Mountain as a possible basis for further discussion and negotiation and that the other directors, interpreting Sir Brian's reference to an "auction" as precluding a negotiation about terms, were not. Lord Grantchester's interpretation was that Sir Brian was not willing to engage in a "battle" with a rival bidder. He says that Sir Brian's memorandum "did not rule out the possibility of a cash offer, or an exchange partly in shares and partly in cash."

The directors met on June 8th to consider Sir Brian's letter. On this, Mr Whyte says to the shareholders:

At the end of the meeting all your six directors agreed that a reply should be sent to Sir Brian Mountain declining his proposals. You will see, therefore, that there is no truth in any suggestion that Lord Grantchester reached a different conclusion from the rest of the Board in this matter.

Lord Grantchester, referring to these sentences, says:

This statement is strictly accurate but fails to disclose that my attitude throughout had been to keep an open mind and seek more information. All my co-directors, however, were unwilling to consider the matter further and, as I was in a minority of one, I agreed to concur in the decision at which they had arrived. It was in these circumstances that I signed the reply sent to Sir Brian declining his proposals.

In his statement Lord Grantchester then goes on to explain that at the next board meeting on June 22nd his colleagues indicated that they wanted a new chairman. He continues:

I had the impression that they did not like the way I regarded Sir Brian's approach and they asked for my answer there and then. However, it was later agreed that my answer should be deferred until another meeting of the directors had been held on June 27th.

At that meeting, Lord Grantchester indicated that he would resign on July 13th.

BUSINESS NOTES

Thus it is apparent that while Lord Grantchester was prepared to consider the possibility of a merger with Eagle Star the other directors on the grounds set out in Mr Whyte's letter, were not. The proper course of resolving such a dispute is resignation.

LOCATION OF INDUSTRY

Nuneaton or Giessen?

A LIVELY and fast-growing firm of tool-makers, Clarkson (Engineers), has told the Board of Trade that, as it has been refused permission to expand its existing factories at Nuneaton in Warwickshire and told it must go to some area of high unemployment, it will instead expand its factory in Giessen, near Frankfurt. The company maintains that in some place like Jarrow or Clydeside it would lack the services of the sub-contractors that it needs, and it doubts whether it could recruit suitable labour. It already has a branch factory at Giessen, for Germany is the company's biggest export market; it knows that it can find the sub-contractors and labour that it needs there, so this seems the more economic site. It would then supply the British market and some exports from Nuneaton, but the new markets that it wants to exploit in the Far East, Australia and south America, for which much of the new capacity is intended, would be served from Germany.

The Board of Trade and the depressed areas have done well in the past out of motor manufacturers who were too anxious to start their expansion schemes to worry overmuch about the effect of moving into a new area on their costs. It takes a case such as this one to expose the absurdity of a blanket refusal of permission to build factories that may add to employment in currently prosperous industrial regions. Nuneaton is near Coventry, and Clarksons says that it could recruit the 1,000 new workers that it would like to employ from the men who now go from Nuneaton to Coventry to work. With immediate prospects for the motor industry clouded by Mr Selwyn Lloyd, and the long-term prospects of sharper competition for the two Coventry car makers, Rootes and Standard-Triumph, the Board of Trade might have felt it worth encouraging firms that are not dependent on the motor industry to expand in this area.

COURTAULDS

A Revealing Speech

THE report of Sir John Hanbury-Williams read in his absence at Courtauld's meeting this week was important both for the facts it disclosed and also for the insight it afforded into the company's philosophy. Sir John could give

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little guidance on the results shareholders might expect from the group this year and no consolation for past misfortunes other than the steady and impressive rise in income from non-textile interests. In the first three months of the current financial year profits were less than in the corresponding period in 1960. As that was the most profitable period for the group in 1960 this is not surprising. In the remaining nine months of the current financial year, profits are expected to improve on last year's performance, but in alluding to the increased difficulty in maintaining profits at the 1960-61 level, Sir John implies that 1961-62 might not be the year of recovery that some shareholders had hoped.

Exactly half of Courtauld's income was derived from textiles last year, compared with 60 per cent in 1959-60. Textiles still accounted for 70 per cent of the group's assets. Of the group's net assets of £208 million, a third was invested overseas, and exports rose from £14 million to £21 million in 1960-61. The turnover of the whole group was £172 million.

SOURCES OF PROFIT*

	(£ million)	1958-59	1959-60	1960-61
Textiles	5.4	10.5	6.6	
Raw materials	2.3	3.2	3.1	
Non-textiles	3.1	4.3	5.3	

* Excluding income from trade investments.

In his statement, Sir John focused attention on viscose rayon, which was at the root of the group's disappointing results last year. Viscose rayon is the dominant man-made fibre, holding 70 per cent of the world market. In terms of weight, the expansion in viscose and acetate between 1950 and 1960 was 50 per cent greater than in the newer man-made fibres. However, in that period the new synthetic fibres increased their share of the market from 4 to 21 per cent. Sir John claims that man-made fibres tend to be complementary rather than competitive with each other, and that in the long term the continuing expansion in cellulosic fibres is more significant than their relative rate of growth. They are nevertheless more prone to temporary setbacks, and are subject to more intensive competition than the newer synthetic fibres. On the important subject of the group's recently acquired paint interests, the chairman has little to say. The group is pressing forward with the reorganisation that is necessary "before the full benefit of this investment can be realised."

IRAQ OIL

Relinquishment in Iraq

GENERAL QASIM of Iraq this week announced that in addition to accepting his position on the "dead rents" issue, the Iraq Petroleum Company had agreed to relinquish 90 per cent of the unexplored territories that it holds under its various concessions; he added that his negotiations with IPC "would end in the second half

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—whether payments are made satisfactorily, and why it is so necessary to ensure that the terms of a contract are punctiliously observed?

Did you know—

—that the Soviet Government authorised the purchase of no less than 95 per cent of the exhibits displayed at the recent British Trade Fair in Moscow—and that there is hope of a substantial increase in next year's quotas for British goods?

—that Poland is at present negotiating British contracts worth about £10 million, and that her purchases of capital goods from Britain could increase to some £30 million a year?

These points, as well as many other aspects of East-West Trade, are dealt with in a report prepared by Barclays Bank. Other reports revised in July deal with Argentina, Australia, France, Iceland, Italy, South Korea, Thailand and Uruguay.

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of next month definitely in our favour." This figure of 90 per cent of the unexplored areas has never been revealed by IPC, but is in fact the figure over which negotiations had long gone on: relinquishment of 75 per cent would take effect immediately revision of the agreement was completed, and the remaining 15 per cent would be handed back to the government by instalments over a period. Nor is there any reason to doubt that in the letters recently sent to Baghdad seeking a resumption of talks IPC may have accepted this percentage of relinquishment, though the question of just how the areas for relinquishment should be demarcated may still not be agreed.

Relinquishment—which is a principle common where oil is developed under mining laws, but which appeared in the main Middle East oil countries for the first time (though in a special form) in the Iran Consortium agreement, and was later incorporated into the Aramco agreement in Saudi Arabia—was not provided for in the Iraq concessions. But in practice any improvement in the terms granted to one government soon spreads to all others in the Middle East. Relinquishment is a reasonable principle in resource development, which has come to the fore in oil of recent years: Libya, for example, has had territories relinquished by exploring companies and has let these out to others before actually achieving any commercial exports of oil. But it does, if the areas surrendered are relet and successfully developed, mean yet more potential production to sustain the oil surplus.

Up to the time that *The Economist* went to press, an invitation to Baghdad to reopen negotiations had still not been received by the team from IPC and its shareholder companies that has been waiting in London for the opportunity to start bargaining again. General Qasim has received an acceptance of his position on dead rents and on relinquishment, and substantial agreement on certain other matters such as Iraqisation of staff and directors had already been reached before the negotiations were suspended in April: but his demands about natural gas do not seem to have been accepted, and nothing has been said recently on either side about the knottiest point of all—Iraqi participation in ownership of the operating company. The general obviously has it within his power to show his people "a decision definitely in our favour" at any time, by simply settling for what the oil companies have agreed already. But further significant advances on what he has gained so far might not be had so easily.

IMF

Help for India

INDIA's foreign exchange reserves at 103 crores, equivalent to £77 million, have never been lower; combined with the statutory gold holding of 118 crores, they are perilously close to the Reserve Bank's legal minimum reserve of 200 crores. Last

BUSINESS NOTES

week the International Monetary Fund agreed to a drawing by the Government of India equivalent to \$250 millions. This is no mere bolster for the reserves; the exchange is needed for immediate payments. For this reason the drawing is to be in six currencies: \$110 million in United States dollars; \$60 million in pounds sterling; \$45 million in Deutsche marks; \$15 million in French francs; \$15 million in Italian lire; and \$5 million in Japanese yen. This is the first-ever drawing of Japanese yen, which is not a convertible currency. The total drawing is 42 per cent of India's quota; India has still outstanding \$63 million from a drawing of \$200 million made in 1957.

India's present problem is to cover the payments deficit until the first payments

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of the \$2,225 million of aid promised in May by the World Bank and the Aid India consortium are received. Although the loans are promised, negotiations on the terms have still to take place; and it seems unlikely that payments into the government's accounts with the Reserve Bank will occur before the end of the year.

BUILDING SOCIETIES

A Time to Worry

WHETHER the increase in rates recommended by the Building Societies Association from 3½ to 3¾ per cent, tax paid, on shares and 6 to 6½ per cent on mortgages

COTTON TEXTILES

Gatt Not Playing Ball?

From a correspondent in Geneva

THE cotton textile conference has turned out to be one of the most exciting things that have happened to GATT for a long time. More than a hundred textile lobbyists followed in the wake of powerful national delegations, ready to pop champagne at anyone willing to listen to their story. Mr George Ball, the United States Under-secretary of State for Economic Affairs, turned up with a hastily prepared scheme to solve present and future textile problems. His proposals were divided into two parts: a long-term plan dealing with the orderly expansion of trade in cotton textiles from 1963 onwards and an interim scheme to deal with the current problem.

It reaffirmed the principle of giving the developing countries access to markets in industrial countries; these are asked to give the developing countries a chance to earn foreign exchange by the export of products in which their special skills and circumstances made them most competitive. As expected, his short-run solution was a call on countries at present applying absolute prohibitions or quotas to open their market or enlarge their quotas and to establish a multilateral system of trading, instead of the various actual bilateral agreements.

As a long-term solution, he proposed that an international textile committee should be set up within GATT to guide exporting countries into gradually opening markets without disrupting anyone or anything in the process. Naturally, there is as much disagreement among the exporters as the importers. The Japanese might be willing to support the committee if a quantitative scheme could be negotiated at the five-day conference—they are unwilling to support a vague plan of good intentions only. India and Pakistan do not want their bilateral agreement with the UK to suffer multilateral dilution. Hong-

kong is suspicious of any restraint on its exports and sees traps everywhere. A short-term agreement seems to depend on the attitude of the members of the European Economic Community. Unless Italy and France liberalise their imports, relieving the United States' textile industry of some of the pressure of foreign imports, it may adopt a sterner policy towards imports. Everyone, except the thirty very prosperous-looking American textile lobbyists in town, agrees that this would be a bad thing.

On Wednesday, the EEC countries thrashed out a counter proposal to be presented on Thursday. They are likely to resist any long-term engagement. They feel that if they agree to the establishment of the ITC they will be committed to IT, C, IT, C, IT, C, etc., standing for toys, transistors and typewriters, but they realise that an immediate solution has to be found for the pressing problem of textiles.

The American delegation obviously needs some tangible signs of progress to take home. This is most likely to take the form of an offer of quota extensions by some countries for 1962 and a proposal to set up a working party to study a longer-term solution before 1963. Though it is the EEC countries who are being asked to expand their quotas, half-way through the conference, it is the United Kingdom which holds the key to the success or failure of the meeting. Britain is responsible for Hongkong and might restrain its representatives. But Britain faces increased imports if a multilateral solution is found. If all exporters had equal access to all markets, Japan would gain greater access to British and Commonwealth markets. But policy dictates that there should be no cutting down of imports from Commonwealth countries. No wonder leaders of Commonwealth delegations had to miss cocktail parties to thrash this one out among themselves.

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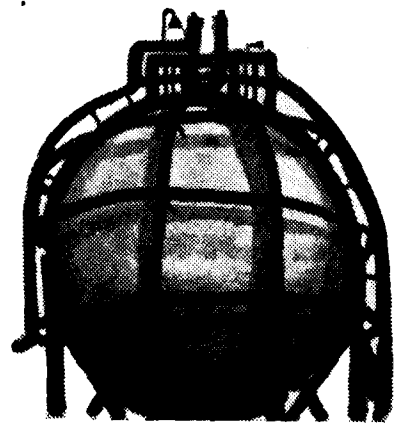
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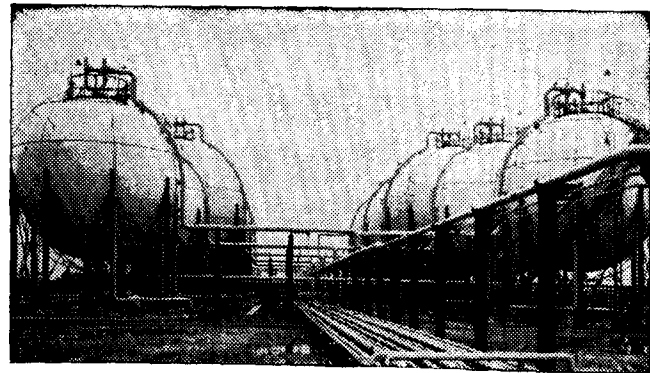


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was sufficient was open to doubt at the beginning of June when the recommendation was made. The doubts must be even stronger now, for though the increase in the share rate does not become generally effective until October, many societies believe that the small stimulus to the net inflow of money arising from the recommended increase has already occurred. The societies, like the rest of the economy, are faced with a period of austerity. Restrictions on building development, if they are introduced, could reduce the demand for mortgages and so, too, could a rise in taxes on consumer goods. But the latter could have an equal, if not greater, effect on the flow of new savings to the building societies. So would a tightening of the screws on credit. All the societies feel they could do in such circumstances would be to tighten their belts and to ration mortgages to accord with a diminished flow of savings. But patient acceptance of what they hope will be only a temporary check to expansion should not prevent them from asking what are the proper rates for shares and mortgages. Many of them have, in fact, already canvassed the answer: not less than 4 per cent on shares and not less than 7 per cent on mortgages.

CO-OPERATIVE PERMANENT BUSINESS

	Dec. 31, 1959	June 30, 1960	Dec. 31, 1960	June 30, 1961
Receipts	20,572	21,017	18,241	18,674
Withdrawals	21,967	17,793	18,326	17,855
Mortgage advances ...	18,849	15,249	20,181	19,598
Mortgage repayments ...	17,203	15,474	18,337	16,441
Liquidity ratio per cent* 15.2	14.0	16.0	14.0	
Reserve ratio per cent* 2.4	2.0	2.7	2.8	

The inadequacy of the rate of shares has long been recognised by societies which offer, in some form or another, subscription shares at a higher rate. The Co-operative Permanent, which as its latest figures show has been deliberately going slow so as to build up its reserve ratio, is now to join this number, offering 4½ per cent, tax paid, to savers who agree to subscribe regularly up to £10 a month for four years with an option to continue their subscriptions for another four years at the end of the initial period. It hopes to raise its net reserve ratio to 3 per cent by the end of this year and it has been one of the societies making eager use of Government money for lending on mortgage on older properties. In the present mood, a further extension of these facilities looks highly improbable.

BRITISH DRUG HOUSES

Another American Bid?

THE affairs of British Drug Houses are still undetermined. Just when it seemed likely that the link-up with Mead Johnson would receive the necessary approval from shareholders, a second proposal was received from William R. Warner, the British subsidiary of the American company, Warner-Lambert Pharmaceutical.

Mr Geoffrey Eley proposed formally to adjourn for a fortnight Monday's meeting to consider the Mead Johnson scheme, the maximum period for which Mead Johnson will keep open the proposed deal.

The meeting, however, turned out to be anything but formal. About 50 shareholders attended and it lasted about 45 minutes, mainly occupied by questions to the chairman about the spending of the £5 million from the Mead Johnson deal and the current valuation of the company's properties. The one point of substance to emerge was that the link-up with Mead Johnson would have been approved but for the Warner intervention, for Mr Eley said that proxies showed 2,400,000 in favour and just under 500,000 against the resolutions.

Up to late on Thursday nothing in the way of firm proposals had been announced by William R. Warner. British Drug Houses and its advisers Hambros Bank, were still engaged in discussions with Warner's British subsidiary, which is advised by Samuel Montagu. According to Warner's letter to BDH last week, its business in this country is comparable to that of BDH and the group has ample resources to finance any reasonable expansion. It claimed that its range of products, which includes Richard Hudnut and Du Barry cosmetics, Veganin, Listerine, and Sloan's Liniment, is wider than that of Mead Johnson. The letter suggested that a merger might be achieved through a new holding company acquiring the shares of both companies or "by such other means as may be advised."

Shareholders must await the terms that Warner is prepared to offer and see whether they hold out a better prospect than the Mead Johnson scheme. So far, the latest development has evoked no response from the "well known company with wide experience in the pharmaceutical field" which Mr John Horn, leading the opposition to the Mead Johnson scheme, declared was prepared to make a bid if that deal fell through.

HOSIERY AND KNITWEAR

Trends and Fashion

AFTER many fat years of new materials to use and new markets to exploit, expansion comes easily to the hosiery and knitwear industry. This year, while sales of other textiles have slipped into decline, knitted goods have been scoring gains of up to 10 per cent. In May, when sales of all textiles fell by 7 per cent, sales of knitted goods were still 3 per cent higher than a year ago. But not all knitters are on velvet, and contraction, where it is necessary, is not being taken in such good part. To judge from complaints, some degree of distress is being suffered in socks, stockings and gloves and even underwear has felt the chill. Some exacerbation of this distress seems likely. Gloves have been hit by imports from Hongkong and Italy, and under-

wear is beginning to be exposed to similar competition. Socks have suffered from their almost total immunity to fashion and stockings from their susceptibility to the same force.

Hard-wearing synthetic fibres have prolonged the life of the humble sock to the point at which contraction of the industry had to follow. Feet that are insensitive to the greater comfort of woollen socks are likely to be equally unimpressed by the wider range of socks, including the more garish varieties, now on sale. Stockings are readily destructible and sales are increasing, but the switch to seamless types has taken business from some manufacturers. The switch entails ordering new machinery, and its acquisition takes time—too much time, say some manufacturers. They claim that by the time they get their new machines, fashion might have changed, and it is better to import foreign stockings, pay 33½ per cent import duty and supply them to their pressing customers. More than 2,000 new machines were installed in the year to March 31st, and more than 3,000 were still on order at that date.

Profits are no longer so lush in the stocking trade and production costs are probably higher than they need be. Imports account for about 5 per cent of total supplies, but imports, partly as the result of the temporary shortage of suitable machinery, are rising sharply. Last year imports of socks and stockings—mainly the latter—leapt from 14 million to 20½ million pairs and up to May of this year, imports were a sixth higher than in 1960. That may be a foretaste of what is to come rather than a temporary stopgap. Exports stuck at 24½ million pairs last year and they have since fallen steeply.

A productivity team that visited Italy last year and issued its report in June was certainly impressed by the efficiency of its stocking industry and its export potential. In other knitted goods, the Italian flair for style has sold Italian products in competition with garments of allegedly superior quality. Competition from Continental knitters therefore seems likely to intensify. At the same time a back door into the United States market has been partially sealed. By reducing the quantity of goods than can be imported from Canada by American visitors, the United States has reduced imports.

HARDWOOD

Log-jam in Ghana

GHANA'S proposed nationalisation of exports of unsawn timber threatens to bring the log trade to a standstill. Unless a form of contract is agreed soon business may dry up before the date for the inauguration of the new marketing scheme—already postponed from July to September—arrives. Ghana's demand that in future the trade should be subject to Ghanaian law is one stumbling block.

Though many countries, jealous of their sovereignty, wish to impose their own conditions, few succeed. Even Russia, an important exporter of timber to the United Kingdom, has failed to obtain this concession for timber. Export taxes of 5 or 7½ per cent have also been suggested in Ghana, but the proposals have been withdrawn. Four agents for Ghanaian timber in the United Kingdom have been appointed after a delay, but they have been unable to make any progress in drawing up a new form of buying contract, mainly because of apparent inefficiency on the part of Ghanaian officials. Ghanaian shippers would like to sell more timber, but cannot until an agreed contract exists. A pilot marketing scheme involving wawa logs has already come to grief; it has merely resulted in a sharp reduction in

exports. Ghana's hardwood exports to Britain last year were worth £7 million. Half of those exports consisted of logs.

British buyers also have been reluctant to invest heavily in hardwood before they know what steps the Chancellor will take next week. Prospects for the furniture industry looked brighter in May; orders on hand rose to £9.3 million, compared with £8.5 million a year earlier, despite an increase in deliveries. But stocks of hardwood are adequate, and the level of activity is not too encouraging. Some demand for hardwood has been met from alternative sources; the Ivory Coast and the Congo have obtained some of the business that would have gone to Ghana. Prices are unlikely to weaken: freight charges on imports from the Far East are to rise in September.

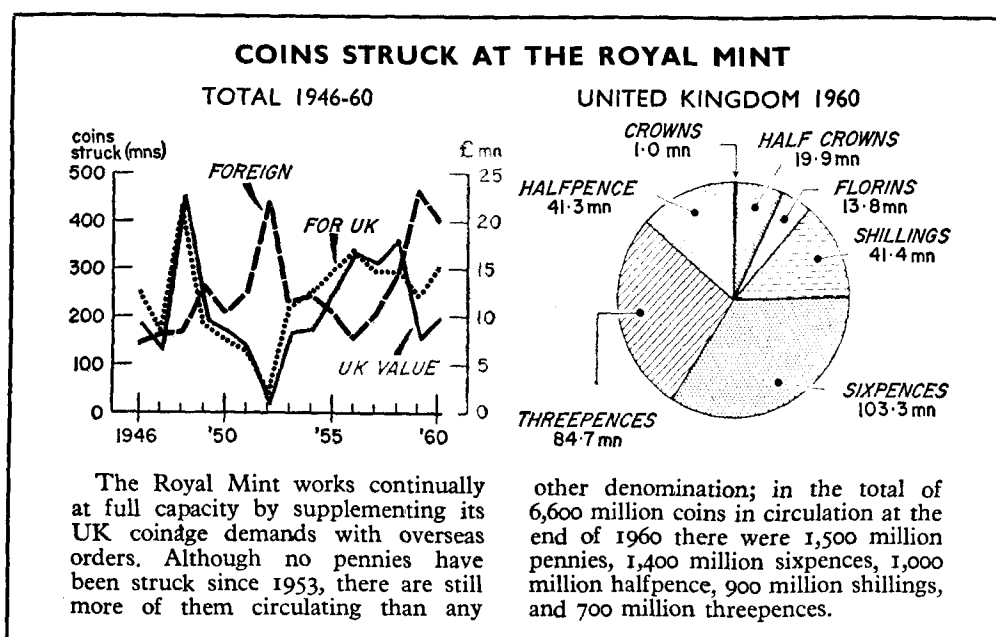
ROYAL MINT

Numismatist's Delight

THE ninety-first annual report of the Royal Mint, complete with full page cartoon of the Mint in operation, is the third since Mr J. H. James brought his lively mind and pen to the post of deputy master. This year's report is well worth seven shillings of any numismatist's money. The number of sixpences in circulation has doubled in the past ten years and, at 1,400 million, they are joining pennies as the most common coins in circulation. Although 300 million pennies were returned to the Mint as surplus in the last decade, a sudden demand in the autumn of last year exhausted stocks and the penny is likely to be struck again this year.

In a "requiem for the farthing" the deputy master traces the history of this small coin from its inception in 1279 by Edward I, to its demonetisation last New

Year's eve. It was one of the oldest British coins and originally weighed one quarter of the obsolescent silver threepenny piece of our own times. It was the first coin to use the figure of Britannia, adopting this design in 1672 from a bronze coin of Antonius Pius issued 1,500 years earlier. The artistic conception in modern coins, Mr James feels, does not compare well with that of former times. The artist and engraver have lost contact and they, he suggests, must be brought together again. The last great design in English coinage was probably Pistrucci's George and Dragon, adopted one hundred and forty years ago and Mr James regrets that the "art of coinage attracts so little attention from the general public." It is a regret that some people in this country who have come to appreciate the convenience and style of many European coins will share.



SHORTER NOTES

There were 258,500 people unemployed in Great Britain on July 10th, which represented a slightly smaller fall since the month before than is expected seasonally. The figure, allowing for seasonal variations, has not altered much since the beginning of the year: it still represents only about 1.2 per cent of the estimated total of employees in Britain.

Arrangements have been made for Norwich Union Life Insurance and Prudential Assurance to make available to Capital and Counties Property £18.3 million on a secured debenture to cover the cost of principal developments planned over the next seven years.

There has been further evidence this week of cross fertilisation between the leading European stock markets. Following the placing of a large block of shares in Finsider, the biggest Italian steel company, arrangements have been made for the issue by S. G. Warburg, the paying agents, of deposit certificates. These will be in varying denominations of units of 500 lira each. The shares which can be dealt in under rule 163(i) on the London Stock Exchange now stand at 20s. 9d. to yield 2½ per cent. This is to be followed shortly by a full quotation in London of the shares of Montecatini, the Italian chemical group. The shares of Imperial Chemical Industries are already quoted on various foreign stock exchanges and soon they are to have a quotation on the Amsterdam Stock Exchange.

In a reference to a scrip issue in non voting shares by Illingworth Morris in last week's issue it was stated that holders owning 368,000 shares voted against this proposal. Votes in favour of the issue totalled 5,804,000.

Subscriptions are being invited for 3½ million 2s. shares at 4s. each in Tilmanstone Investment Trust. The chairman is Mr Harold Drayton. In February, almost 84 per cent of its funds was in equities and at the end of June the net asset value per share was 3s. 9½d.

COMPANY AFFAIRS

Comments on pages 409 and 412 on:
Distillers Arusha
Hoover Balfour and Darwins
Hadfields Associated British Picture

LONDON AND NEW YORK

Stock prices, yields and security indices on pages 410 and 411

LONDON STOCK EXCHANGE

The week's movements reported on page 412

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 413

BRITISH INSURANCE SURVEY 1961

POLICIES AND PENSIONS

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Insurance Accounts: An Investor's Guide . page 386
Prospects for Graduated Pensions page 389
Variable Insurance Contracts page 390
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Are Investment Policies Changing?

The growth in the volume of new money to be invested by the insurance industry continues. In 1959 the article in this series, referring to 1958, was entitled "Investing £1 million a Day." Last year the average daily increase in assets was over £1½ million.

THE percentage distribution of insurance office assets at book values shows little evidence of any significant change in investment policies; the movements were almost all of the same pattern that has persisted now for a decade. Variations in policy emerge more clearly, however, though still only approximately, when the total yearly increases in assets are broken down into categories:

PERCENTAGE OF YEAR'S INCREASE IN ASSETS REFLECTED IN
CHANGE IN CATEGORIES†

	Increase in Total Assets*	Gilt- edged	Deben- ture	Pref.	Ord. shares	Other S.E. Secur- ities	Mort- gages	Property
1952	181	—	17.7	Decrease	22.1	10.5	27.6	14.9
1953	234	26.1	19.7	5.6	17.9	4.7	15.0	11.5
1954	289	10.7	24.2	10.0	33.6	3.8	12.5	8.0
1955	283	Decrease	19.8	7.1	29.0	2.5	31.1	11.3
1956	265	Decrease	17.4	3.0	27.5	0.8	36.2	10.6
1957	321	Decrease	26.2	2.2	30.8	Decrease	27.1	14.6
1958	358	10.9	17.0	0.3	24.6	6.4	18.7	14.5
1959	486	6.6	16.9	1.9	36.0	6.2	15.4	11.5
1960	530	11.9	11.5	0.2	34.2	2.7	21.1	11.1

* Figures refer to 44 offices between 1952-1956 and to 45 offices between 1957-1960.
† The percentage may not add up to 100 owing to the incidence of decreases, changes in current assets, etc. The figures allow for the writing up of assets by the Royal Group in 1956 and for the redistribution of book values as between equities and fixed interest securities by the Prudential in 1958.

On these figures, gilt-edged attracted a higher proportion of funds in 1960 than in any year since 1953. It seems that insurance portfolios may have absorbed some part of the considerable volume of stock sold to investors other than the banks by the authorities in the latter part of 1960. In all these sales totalled about £370 million of gilt-edged securities and the increase in the gilt-edged holdings of the insurance offices is equivalent to about one-sixth of this. Debentures seem to have declined in attraction, though the expectation of heavy commitments in steel prior charges may have accounted for some reluctance to buy other debentures. Even in 1960, however, the increase in insurance companies' holdings of debentures equalled half the new issues of industrial debentures during the year.

Possibly the most surprising figure is the relative decline in the allocation to property in a year when the interest of the companies in this field was so frequently in the news. "Property" in insurance company balance sheets refers to properties held directly on their own account. Interests acquired in property companies would appear under the respective headings of debentures, mortgages, or ordinary shares. Many large projects announced recently have involved commitments to advance money in the future, with more limited current investment; again, this form of property interest would not appear under "property." Such participations may go some way to explain the buoyancy of investment in mortgages. Growing competition among property companies, fed by insurance funds, for sites ripe for development and for attractive property investments may also help to explain the slowing down in the proportion of new investment money going into property investments on the offices' own account.

Ordinary shares accounted for a higher proportion of the increase in assets than in any year except 1959. Yet, paradoxically, it

might well be that 1960 introduced a period in which the appetite of insurance companies for ordinary shares will be less eager. Insurance companies have for some time been building up their interest in ordinary shares by allotting a higher share of investible funds to equities than the proportion which ordinary shares previously represented of their total assets, either at book values or in most cases at market values. But in all probability the proportion of assets at market values in ordinary shares at the end of 1959 was greater than the proportion of investible funds devoted to equities in 1960. A number of insurance company reports have specifically mentioned the fact that the level of equity purchases on the market fell quite sharply last year, and that the continued high level of investment in equities owed much to the high level of rights issues. Such issues typically offer the chance of investment at higher yields than those offered by stocks of equivalent status purchased normally in the market, and in most circumstances will be taken up almost as a matter of course by insurance companies. Thus the insurance companies may have been less active purchasers in the open market in 1960 than in 1959, and their purchases did not have the effect of increasing further the proportion which ordinary shares represented of the market value of total assets.

THIS was partly the result of the movements in stock prices. The Actuaries' Investment Index showed a 4.7 per cent fall in industrial ordinary shares over the year, while the price of 2½ per cent Consols fell by 10 per cent. In practice the fall in the value of insurance companies' fixed interest holdings, which are largely in redeemable securities, will not have been as great as this. Thus with ordinary share values falling slightly less than fixed interest values and new investment going slightly more heavily into fixed interest securities than equities and property, then if at the end of 1959 the distribution of invested assets at market values was roughly half and half as between fixed interest investments and equity investments (ordinary shares and property taken together), this relationship would have been about maintained by the year's purchases.

Perhaps there is some evidence of a reluctance to see the proportion of equity investments in the total (using market values) rise much beyond the present level. The recent distribution of increases in balance sheet assets for those companies that led the way in equity investment suggests that some consideration inhibits the increase in the proportion of assets at risk beyond a certain point. The companies listed below each had at least 20 per cent of their assets at book value in ordinary shares in 1953:—

PERCENTAGE HOLDINGS OF ORDINARY SHARES AT BOOK
VALUES FOR SELECTED COMPANIES

	1953	1957	1958	1959	1960
Eagle Star.....	20.0	25.1	24.2	24.6	26.8
Equity & Law....	22.8	34.9	36.5	37.8	32.8
National Provincial	20.6	31.6	30.5	31.3	35.4
Provident Mutual..	21.0	24.4	25.0	25.6	25.9
Scottish Equitable..	22.5	23.7	24.7	25.7	27.0
Scottish Widows...	30.1	41.4	37.6	36.7	35.3
Scottish Life.....	24.7	26.3	26.8	26.2	26.1
UK Provident.....	25.0	30.8	30.2	36.8	36.5
45 Offices.....	11.9	16.4	17.7	19.3	20.5

It would seem reasonable to expect these offices to have the highest margins between book and market values for their equity holdings, and to have been faced earliest with the problem of deciding the extent to which they were prepared to see their portfolios consist of "risk" assets. Clearly some of them have been more restrained in recent years in adding to equity holdings than the industry as a whole. There may be some significance in the fact that equities as a proportion of assets at book value fell in nine of the 43 life funds analysed last year, whereas in 1959 falls were recorded in only four cases.

Because an insurance company's liabilities are fixed in money terms, and its policies assume some minimum rate of return upon investment, to be dependent beyond some point upon assets of which both the market value and the earning power are in principle highly variable, would leave too much open—which the insurance industry does not like doing. The actuarial principle of matching the average term of assets to that of liabilities also serves to limit the willingness to hold equities, by giving rise to a positive requirement for a substantial volume of redeemable fixed interest securities, since equities are perpetual securities while the average term of liabilities might be 20 or 30 years in many cases. It may be on these grounds that some offices have over the last year or so begun to feel the need for restraint in their equity purchases. A continuation of the pattern of investment of recent years, in which big investments have been made in equities and the value of equities in general has been rising, might gradually augment the number of offices finding it necessary to reconsider the balance of equities in their portfolios.

The present structure of stock market yields may also inhibit the life offices' purchases of ordinary shares. The purchase of low yielding "growth" stocks has always presented life offices with a problem. Even if one is convinced of the long run superiority of a low yielding growth equity to a more conservatively priced ordinary share, the fact that for some years the income from the higher yielding investment would exceed that from the "growth"

stock implies that to purchase the "growth" stock favours those policyholders whose interest in the fund stretches well into the future and is to the prejudice of those whose policies are nearing maturity. This problem of fairness between generations of policyholders has today been extended to the whole field of equity investment by the apparently firm establishment of the so-called reverse yield gap. In 1959 and early in 1960, perhaps, the acceptance of low yields on ordinary shares, despite this consideration, seemed justified by the imminence of substantial increases in earnings and dividends. More recently it has begun to seem possible that the lapse of time before low yields are justified by future income growth may prove a more serious matter than it appeared to be in 1959.

Whether the impact of the changing mood of insurance investment policy will be apparent in the balance sheet figures for 1961 is uncertain. It was noticeable that, during the period of strongly rising equity markets early this year, insurance companies were generally believed to be participating in the market only to a very limited extent. This could be ascribed to their greater sophistication in appraising economic uncertainties. But it is unusual for them to stand aside at a time when active markets provide one of the few occasions when stock is available in sufficient quantities. That they appeared to be standing aside in the spring, therefore, suggests that they were less anxious to add to their "risk" assets. It is true that there are again plenty of rights issues this year, and the possibly more modest requirements of equities by insurance funds this year may be largely satisfied by them. Nonetheless, the proportion of new funds allocated to equities may still exceed the 20 per cent at book value of existing total assets, so that a further rise in the percentage of assets at book value in ordinary shares is possible. The real test of the theoretical and practical limits that should be set upon "risk" assets as a proportion of total funds would be presented by a renewed strong rise in equities, taking their proportion at market value to new high levels. The allocation of money in new investment might then assume a quite different pattern from that of recent years.

TABLE I.—INSURANCE EARNINGS AND DIVIDENDS, 1960

Company	Underwriting Profits				Interest Earnings and Dividends				Ordinary Shares		
	Total Premium Income*	Net Trading Surplus or Deficit*	Ratio (2) to (1)	Transferred from Life, Annuity and Capital Redemption Funds	Total (2) + (4)	Net Interest Earnings†	Net Ordinary Dividends	Ratio (6) to (7)	Reserves to Premiums*†	Price, Mid-July, 1961	Yield per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Alliance	£ 21,743,377	£ 319,708	1.5	£ 104,993	£ 424,701	£ 916,114	£ 939,167	per cent 97.5	per cent 122.4	77/9 (a)	3.42
Commercial Union (b)	112,739,745	1,667,626	1.5	298,615	1,369,011c	5,277,748	3,867,536	136.5	110.5	66/1½	3.40
Eagle Star	27,272,754	118,232	0.4	310,000	191,768	1,583,263	1,429,655	110.7	128.9	107/3	2.56
Employers' Liability	43,701,917	411,452	0.9	74,450	337,002	1,375,539	560,438	245.4	64.0	126/9 (d)	3.16
General Accident	74,910,018	535,100	0.7	52,726	587,826e	3,057,019	1,984,500	154.0	80.8	47/3	2.09
Guardian	35,130,682	924,180	2.6	119,458	804,722	2,029,658	1,225,092	165.7	109.8	143/3	2.81
London Assurance (f)	34,772,166	88,459	0.3	175,000	263,459g	1,366,063**	892,604	153.0	118.0	58/1½	3.01
London & Lancashire	37,017,627	750,830	2.0	33,308	717,522	1,463,964	1,069,957	136.8	98.9	157/9 (q)	3.28
Northern	35,172,406	198,192	0.6	231,956	430,148h	1,264,792	806,662	156.8	118.6	126/9 (d)	3.16
Norwich Union (i)	34,113,951	517,647	1.5	330,000	187,647	785,797	382,812	205.3	74.5	157/6	3.97
Phoenix	40,862,080	222,732	0.5	125,000	97,732i	1,488,840	995,085	149.6	89.0	136/10½	2.19
Prudential (m)	18,771,540	263,132	1.4	51,626	314,758n	672,141**	488,889	137.5	84.1	157/9	3.28
Royal (o)	144,163,080	1,126,855	0.8	128,000	1,254,855	4,487,807	3,429,957	130.8	97.8	106/3	3.53
Royal Exchange (p)	50,705,712	949,376	1.9	173,802	775,574	2,188,644	1,512,126	144.7	103.0	77/9 (o)	3.42
Sun	23,728,944	330,943	1.4	...	330,943	1,046,521	826,875	126.6	99.1	130/-	3.21
Yorkshire	15,647,580	213,785	1.4	208,455	5,330	441,068	382,812	115.2	85.2	...	...
Total	750,453,579	-2,913,471	-0.4	2,417,389	-496,082	29,444,978	20,794,167	141.6	98.7	...	...

* Excluding life, annuity and capital redemption business. † "Reserves" include share capital, all free reserves and the underwriting and additional reserves maintained for fire, accident and marine insurance. ‡ After debenture interest and preference dividends. ** Estimated. (a) Sun Alliance shares. (b) Including North British and Mercantile. (c) Before £100,000 to contingencies reserve. (d) Northern & Employers' shares. (e) Before £500,000 to general reserve. (f) Including Sea/Beacon. (g) Before £57,622 to general reserve. (h) Before £100,000 to investment and contingency reserve. (i) Including Scottish Union and National. (j) Shares held by Norwich Union Life Insurance Society. (k) Before £4,750,000 from investment and taxation reserves, £2,000,000 to general reserve and £3,000,000 to pension fund. (l) General Branch only, i.e., all business other than life and annuity. (m) Before £10,000 plus one-quarter of the balance of the net fund. (n) Including Liverpool and London and Globe. (o) Including Atlas. (p) Royal Insurance shares.

TABLE II.—DISTRIBUTION OF INSURANCE ASSETS
TOTAL CONSOLIDATED ASSETS OF 45 OFFICES

Class of Asset	1958		1959		1960	
	Per cent	£mn.	Per cent	£mn.	Per cent	
Mortgages, including policy loans.	15.7	885.1	15.7	996.8	16.2	
Brit. Govt. and Govt. guaranteed stocks	20.6	1,095.8	19.4	1,159.0	18.8	
British Municipal, Overseas Government and Municipal stocks	8.6	471.5	8.4	486.0	7.9	
Debenture stocks	14.5	829.3	14.7	890.3	14.4	
Preference shares	6.1	324.1	5.7	325.3	5.3	
Ordinary shares	17.7	1,085.9	19.3	1,267.2	20.6	
Other Investments	1.1	70.9	1.3	64.7	1.0	
Property	8.6	498.9	8.9	557.4	9.0	
Cash, agents' balances, etc.	7.1	375.3	6.6	420.0	6.8	
Total Assets of 45 Offices	100.0	5,636.8	100.0	6,166.7	100.0	

TABLE III.—RATES OF INTEREST PER CENT, LIFE AND ANNUITY FUNDS : 43 OFFICES

Company	Gross			Net		
	1958	1959	1960	1958	1959	1960
Mutual						
Equitable	5.88	6.07	6.30	4.74	4.81	4.99
Friends' Provident	5.90	6.03	6.36	5.21	5.40	5.33
London Life	5.89	6.08	6.22	4.54	4.66	4.88
Marine & General	5.92	6.22	6.26	4.97	4.99	5.11
National Mutual	5.59	5.96	5.98	4.47	4.79	4.85
Norwich Union	7.00	7.14	7.14	5.35	5.41	5.36
Provident Mutual	5.26	5.45	5.72	4.58	4.75	5.02
Scottish Amicable	5.85	6.09	6.50	4.82	4.96	5.19
Scottish Equitable	5.40	5.57	5.84	4.55	4.84	5.08
Scottish Mutual	6.32	6.52	6.85	5.05	5.22	5.44
Scottish Provident	6.25	6.36	6.68	5.54	5.53	5.66
Scottish Widows	6.38	6.61	7.04	5.06	5.20	5.60
Standard	6.25	6.41	6.68	4.82	5.05	5.15
United Kingdom Provident	5.43	5.64	6.08	4.91	5.16	5.52
Average	7.16	7.45	7.66	5.28	5.43	5.58
Proprietary						
Clerical, Medical & General	6.38	6.82	7.10	4.71	5.15	5.54
Equity & Law	6.85	7.22	7.40	3.86	5.97	6.26
Scottish Life	5.98	6.12	6.56	5.25	5.33	5.54
Sun Life	5.47	5.63	5.87	4.42	4.55	4.74
Average	6.03	6.24	6.50	4.93	5.08	5.25
Industrial-cum-Ordinary*						
Britannic	5.74	5.93	6.26	4.17	4.28	4.56
Co-operative	5.47	5.76	5.99	4.11	4.29	4.39
Pearl	5.32	6.56	6.79	5.08	5.14	5.39
Prudential	5.81	6.08	6.50	5.03	5.16	5.65
Refuge	5.42	5.58	5.86	4.09	4.21	4.44
Royal London Mutual	5.63	5.98	6.28	4.24	4.44	4.72
Wesleyan & General	4.97	5.18	5.43	3.93	4.07	4.12
Average	5.62	5.87	6.16	4.38	4.51	4.75
Composite						
Alliance	5.43	5.62	5.51	3.63	3.97	3.92
Atlas	5.88	5.97	6.38	4.34	4.60	5.21
Caledonian	5.94	6.47	7.00	4.64	4.98	5.57
Commercial Union	5.74	5.79	5.98	4.45	4.25	4.52
Eagle Star	5.64	5.80	5.99	4.45	4.60	5.04
Guardian	6.25	6.41	6.82	5.41	5.43	5.74
Law Union & Rock	5.50	5.63	5.81	4.45	4.47	4.65
Liverpool & London & Globe	5.16	5.51	5.84	4.48	5.19	5.41
London Assurance	5.52	5.66	5.86	4.04	4.20	4.37
Northern British & Mercantile	5.86	6.06	6.40	4.44	4.61	4.89
Phoenix	5.14	5.24	5.52	4.05	4.04	4.26
Royal	5.83	6.07	6.58	4.79	4.92	5.30
Royal Exchange	5.55	5.71	6.12	4.45	4.86	5.05
Scottish Union & National	5.33	5.40	5.60	4.35	4.50	4.69
Yorkshire	6.17	6.28	6.64	4.59	4.78	5.05
Average	5.91	6.17	6.56	4.73	4.72	5.06
Average of 43 Offices	5.60	5.76	6.14	4.17	4.56	5.43

* Excluding industrial life funds.

TABLE IV.—PERCENTAGE DISTRIBUTION OF NON-LIFE ASSETS
OF 16 OFFICES—END 1960

Company	Mortgages, incl. Policy Loans	British Government Securities	Home and Overseas Govt. & Municipal	Debenture Stocks	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agents' Balances, etc.
Alliance	17.4	15.4	10.3	3.2	3.9	13.0	...	7.9	28.9
Atlas	8.3	17.2	17.7	10.6	1.6	7.5	0.2	5.5	31.4
Commercial Union	3.2	11.7	21.0	14.4	6.3	11.9	...	5.2	26.4
Eagle Star	17.1	8.5	7.4	8.1	1.5	27.8	...	8.1	21.3
Employers' Liability	...	3.6	36.3	25.1	0.1	6.9	...	1.4	23.5
Guardian	6.4	6.6	11.3	11.0	3.1	12.7	14.1	5.2	29.6
Liverpool & London & Globe	3.4	5.0	39.2	19.0	1.8	14.3	...	0.6	16.7
London & Lancashire	4.6	11.5	17.1	22.5	3.6	11.6	...	5.2	23.9
London Assurance	4.1	12.7	16.9	14.3	1.4	19.2	...	5.0	26.4
North British & Mercantile	3.0	11.7	31.1	10.4	5.2	13.1	...	1.7	23.8
Northern	6.2	14.7	15.7	11.0	2.9	15.1	...	4.4	30.0
Phoenix	3.6	8.8	17.5	19.9	5.0	11.5	0.3	9.4	24.0
Royal	2.7	5.9	36.9	18.6	1.8	15.0	0.2	2.8	16.1
Royal Exchange	6.1	29.3	13.2	8.4	3.6	7.6	0.1	6.8	24.9
Scottish Union & National	2.7	10.3	18.7	9.8	10.4	14.7	...	1.2	32.2
Yorkshire	6.4	15.5	23.6	5.3	1.6	9.3	...	3.8	34.5
Average Non-Life Assets of 16 Offices	5.1	10.5	23.2	14.8	3.2	13.4	1.4	4.5	23.9

TABLE V.—PERCENTAGE DISTRIBUTION OF LIFE, ANNUITY AND CAPITAL REDEMPTION ASSETS OF 43 OFFICES—END 1960

Company	Mortgages, incl. Policy Loans	British Government Securities	Home and Overseas Govt. & Municipal	Debenture Stocks	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agents' Balances, etc.
15 Mutual Life Offices									
Equitable	18.9	10.5	4.4	21.9	5.7	18.3	9.1	9.7	1.5
Friends' Provident (a)	35.6	14.9	1.0	7.3	2.5	17.0	10.7	8.1	2.9
London Life	19.4	23.4	2.0	11.0	3.8	28.2	...	9.5	2.7
Marine & General	17.7	22.5	0.2	9.4	9.9	23.3	0.9	12.1	4.0
National Mutual	15.8	18.5	1.7	10.1	7.7	35.4	...	8.0	2.9
Norwich Union	12.2	19.3	1.8	15.2	5.7	35.4	...	7.9	2.4
Provident Mutual	38.2	8.0	5.2	7.9	1.3	14.3	4.8	17.6	2.1
Scottish Amicable	4.5	20.6	3.1	28.0	10.7	25.9	...	1.3	5.9
Scottish Equitable	19.3	34.1	2.4	14.1	9.1	15.3	0.3	2.4	3.0
Scottish Mutual	24.1	18.6	1.7	14.9	9.8	26.9	...	0.7	3.3
Scottish Provident	14.3	24.0	1.7	11.8	11.3	27.8	0.4	4.0	4.7
Scottish Widows	21.0	27.4	4.3	15.4	8.1	17.5	...	3.2	3.1
Standard	2.7	39.9	0.8	9.3	8.3	35.3	...	1.6	2.1
UK Provident	18.7	8.8	8.5	26.9	9.7	25.4	...	14.9	2.4
Average	20.7	17.9	4.6	15.1	6.7	24.0	2.0	6.7	2.3
4 Proprietary Life Offices									
Clerical, Medical & General	26.5	9.2	0.1	1.9	1.9	27.9	8.9	18.6	5.0
Equity & Law	6.4	22.3	1.4	13.1	7.7	32.8	5.6	8.0	2.7
Scottish Life	23.8	15.5	0.6	17.7	10.0	26.1	...	2.6	3.7
Sun Life	35.1	19.0	2.1	21.6	2.4	12.3	...	5.0	2.5
Average	25.5	18.1	1.5	16.2	4.4	21.1	2.7	7.5	3.0
7 Industrial-cum- Ordinary Life Offices									
Britannic	29.8	25.5	5.3	8.2	3.0	24.1	0.1	1.5	2.5
Co-operative (b)	3.9	9.9	1.9	6.1	3.9	9.9	...	17.9	0.8
Pearl (b)	8.9	20.3	8.1	19.3	6.2	24.2	0.2	8.8	4.0
Prudential (b)	9.9	23.6	5.4	14.5	5.2	24.9	0.1	13.5	2.9
Refuge	22.3	26.4	4.6	14.3	9.8	14.8	0.5	4.5	2.8
Royal London	8.5	35.1	2.7	8.2	12.7	28.0	...	3.5	1.3
Westleyan & General	33.3	24.5	3.6	7.1	10.5	14.5	...	4.9	1.6
Average	14.3	19.9	5.0	13.1	6.3	23.2	0.4	10.3	2.9
17 Composite Offices (c)									
Alliance	11.1	25.8	3.1	28.4	5.5	21.4	...	1.6	3.1
Caledonian	19.8	28.1	4.2	15.9	6.5	15.6	0.1	8.6	3.6
Commercial Union	20.5	25.8	4.3	15.8	10.1	16.4	...	3.7	3.4
Eagle Star	8.1	16.9	4.1	26.6	7.9	20.6	...	11.4	4.4
Guardian	21.8	20.1	2.9	13.0	4.0	26.8	...	8.7	2.7
Law Union & Rock	18.9	16.6	0.8	18.4	8.1	19.8	0.8	9.7	6.9
Legal & General (b)	21.8	23.2	6.5	19.9	6.3	16.6	...	4.2	2.3
Liverpool & London & Globe	26.0	10.1	7.3	10.0	2.2	11.5	0.1	26.5	6.3
London Assurance	11.6	34.8	3.5	21.5	2.1	20.7	...	2.1	2.5
North British & Mercantile	27.5	10.0	1.1	9.7	3.5	38.3	...	7.4	5.7
Northern	24.6	29.1	5.4	15.3	3.2	17.4	0.8	0.8	3.4
Phoenix	15.6	12.9	5.1	23.7	8.6	30.6	...	0.5	3.0
Royal	24.6	17.7	34.0	5.9	17.5	21.6	...	3.8	2.4
Royal Exchange	12.6	20.0	1.6	26.9	7.0	13.9	2.3	10.4	3.4
Scottish Union & National	20.3	24.0	3.9	12.8	9.3	24.2	...	3.3	2.2
Yorkshire	12.8	18.8	1.3	7.0	0.8	26.8	9.9	18.7	3.9
Average	20.7	18.1	4.7	15.3	4.3	18.8	0.6	13.1	4.4
Average of 43 Offices ...	18.5	20.5	4.6	14.4	5.7	22.1	1.0	10.0	3.3

Poor Underwriting Results

HOPES that general underwriting would show a profit in 1960 have been disappointed. In spite of record fire losses and severe storm damage on both sides of the Atlantic, fire account profits before charging overhead expenses were not far short of the balance in hand at the end of 1959. There was, however, a considerable setback on the much larger accident side of the business. The leading insurance companies, whose accounts are analysed in Table I, showed losses on general underwriting to the tune of £2.9 million, after providing for overhead expenses and tax. Increased transfers from life annuity and capital redemption funds still left the deficit at £500,000. Interest income had to meet this loss as well as the cost of higher dividends; but the buoyancy of the revenue from the assets of the general funds yielded £8,155,000, only marginally less than the surplus in 1959, to be added to free reserves.

A further improvement in the profitability of the bulk of the business done by British insurers in the United States was swamped by the havoc wrought last September by the hurricane Donna. Most of the British insurance companies that operate in America once again made an underwriting loss which, as Table X shows, totalled \$12.4 million, compared with a loss of \$8.3 million in 1959. Last year's fire wastage in America exceeded the record damage in 1959; on the other hand, the rise in motor premium rates in the United States has at last gone a fair way towards eliminating the heavy losses on this side of the business. Though familiar cries of woe have arisen from the marine underwriters and though cargo premium rates are still under pressure, surpluses transferred from marine funds in 1960 by the offices included in Table I amounted to £4.1 million, the largest profit since 1956.

This was the fifth successive year in

which the insurance companies lost money from non-life underwriting. Profits are bound to fluctuate from year to year when premiums are based on long-term experience that includes (except in accident insurance) large, but relatively infrequent, claims. But the record of the past five years, and in particular the relapse in 1960, poses the question whether there may have been a fundamental change since 1955, when the offices included in Table VI made a net underwriting profit of £4.2 million from non-life premiums of £500 million.

UNDERWRITING losses in the United States have been the main cause of the trouble. The American system of control, with its frustrating delays in securing approval for rate increases no matter how justified these may be, has rightly received most of the blame. Fierce competition for the most desirable business abroad and, to a lesser extent, at home has also eroded profit margins. There is, nevertheless, no reason why general underwriting should not make money once again, though a return to the profits of the earlier postwar years does not seem likely; the net underwriting profits of the companies included in Table VI was £7½ million in 1950 from premiums of less than half the £750 million received in 1960. The increase in rates for British motor insurance will help but it will not have a marked effect on this year's figures. If fire and accident underwriting breaks even after meeting overhead expenses, most insurance men will regard 1961 as successful. Fire losses in the first half of this year rose in North America, amounting to \$670 million (against \$604 million). At home there was a welcome reduction with fire losses amounting to £20.6 million (against £26.9 million). But it is too soon to assume that the abnormal losses of 1959

and 1960 are over; in each of these years fire wastage was about £44 million, compared with a previous annual average of about £25 million.

Interest income from non-life assets has comfortably covered the underwriting deficits, financed higher dividends and is making useful contributions to free reserves. It is this buoyancy of non-life interest income which has made insurance shares popular with investors. They look for, and have duly received, steadily increasing dividends, although for many insurance companies, non-life underwriting profits have been few and far between. Insurers do not do badly if they can avoid underwriting losses on their non-life business, for the increase in premium income floats interest earnings up with it. Transfers from the rapidly growing life, annuity and capital redemption funds are also rising. Compared with an annual average of £800,000 in the preceding ten years, £1,300,000 was brought into the profit and loss accounts of the leading composite insurance companies included in Table I and X in 1958; but the transfer was £1,500,000 in 1959 and £2,400,000 in 1960. Following bonus declarations, the Eagle Star transferred £310,000 in 1960 (against £136,000 in 1959), the London Assurance £175,000 (against £30,000), the Northern £232,000 (against £33,000), the Norwich Union Fire £330,000 (against £25,000) from the Scottish Union National fund, the Phoenix £125,000 (against £7,000) and the Yorkshire £208,000 (against £114,000). More than one quarter of the 1960 dividends of the Northern, Norwich Union Fire and Yorkshire were covered by life department transfers. For the offices as a whole the proportion of dividends covered by life department transfers was 12 per cent in 1960, 11 per cent in 1955 and 13 per cent in 1950.



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TABLE VI.—PREMIUMS, UNDERWRITING, INTEREST AND DIVIDENDS—16 OFFICES*

Year	Premium Income†	Underwriting Profits†		Transferred from Life, Annuity and Capital Redemption Funds	Interest Earnings and Dividends		
		Amount	Ratio		Net Interest Earnings†	Net Ord. Divs.	Ratio
	a	b	b to a	c	d	e	d to e
1956	£ mn.	£ mn.	%	£ mn.	£ mn.	£ mn.	%
1957	581.7	—5.4	—0.9	0.9	18.0	11.2	161.0
1958	634.6	—8.6	—1.4	1.0	19.5	11.8	164.6
1959	661.2	—5.3	—0.8	1.3	21.4	13.1	163.5
1960	701.9	—0.8	—0.1	1.5	24.9	16.8	148.4
	750.5	—2.9	—0.4	2.4	29.4	20.8	141.6

* Reduced by mergers from 20 offices in 1956 and 19 offices in 1957 and 1958.
† Excluding life, annuity and capital redemption business.

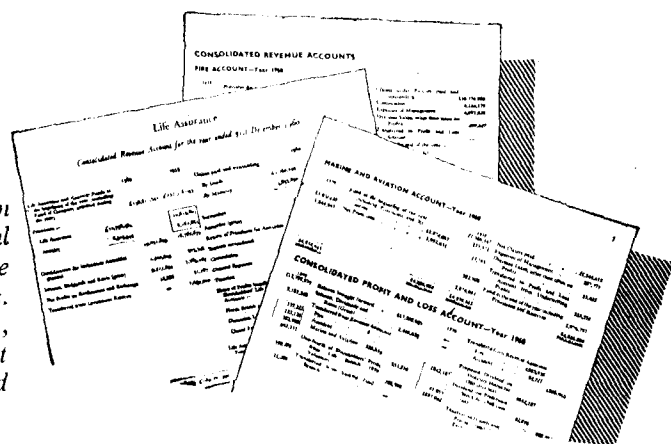
TABLE VII.—UNITED STATES' BUSINESS OF BRITISH INSURANCE COMPANIES AND THEIR AMERICAN SUBSIDIARIES
TEN YEARS' EXPERIENCE
\$'000

Year	Total Premium Income	Underwriting Profits	Investment Earnings*	Branch remittances and subsidiaries' dividends
1951	585,048	—11,742	29,364	14,519
1952	625,663	14,149	31,062	14,088
1953	654,223	21,970	33,234	14,650
1954	651,415	17,483	36,025	15,104
1955	663,170	7,808	37,933	18,042
1956	711,783	—33,504	41,036	17,047
1957	770,850	—58,373	42,893	16,606
1958	776,667	—34,404	44,771	14,322
1959	806,890	—8,258	46,604	21,773
1960	842,616	—12,364	49,728	26,784

* Gross interest dividends and rents less investment expenses.
Source: Best's Insurance Guide.

Insurance Accounts: An Investor's Guide

Insurance shares are now ranked among the growth stocks of the London Stock Exchange but they are a type of equity investment requiring special knowledge and understanding. Much of their recent popularity is due to the energy and skill of a handful of stockbrokers in explaining their complexities. Without such guidance the lay investor, lacking the expertise of an actuary, may find it difficult to judge the merits of an individual share. The most serious obstacle to his understanding is the necessarily complicated form and matter of an insurance company's accounts.



THE form in which insurance company accounts are returned to the Board of Trade is minutely prescribed by the Insurance Companies Act, 1958. Because of the considerable amount of detail required, the Board of Trade returns are only rarely available for publication at the time of the annual general meeting, and the abridged accounts which are then presented to shareholders inevitably give considerably less information. The investor, in fact, has to look at three distinct sections of the accounts: the departmental revenue accounts; the profit and loss account; and the balance sheet.

The departmental revenue accounts are the trading accounts of an insurance company. Normally they are presented separately for fire, accident and general, and marine business, though some companies in their published accounts—and all must in their Board of Trade returns—further subdivide the accident and general account into personal accident, motor vehicle, and miscellaneous business. Revenue accounts are also presented for life and annuity business. The income of a fire or accident account as normally published consists of the premiums received, and the outgo includes claims (both paid and outstanding), commission, expenses of management, certain taxes and the increase in departmental reserves. The balance of premiums that is not actually required to pay claims and expenses is available for investment and the income from the investment of these departmental funds, though earned by the fire or accident premiums, is normally carried straight to the profit and loss account and not shown separately in the departmental revenue accounts.

A large proportion of fire and accident business is transacted on a yearly basis—although the long term business is increasing—and on December 31st the business on the books for which premiums have been paid in the preceeding year will range from policies taken out on January 1st, for which there will be virtually no liability (apart from unnotified claims), to policies taken out on December 31st, which will be at risk for the whole of the ensuing year. It is therefore customary to set aside a fixed percentage of the year's premiums for this "unexpired risk"; a common figure is 40 per cent, though higher percentages up to 60 per cent are not unusual. This reserve forms the fund of the fire or accident department on December 31st. Any difference of income over outgo, less any increase in the reserve required by an increase in the premium income, is available for transfer to the profit and loss account and may be regarded as the profit of the particular account. This amount can be expressed as a percentage of the year's premiums and the "profit ratio" so calculated provides a basis of comparison between different accounts and different companies. An expanding premium income will appear to reduce the profit, because at least 40 per cent of the additional premiums will be required to augment the reserve against unexpired risks. But provided that underwriting is profitable shareholders will look for

an expanding premium income as pointing to an increase in earnings and an increase in investment income from the larger fund.

The marine revenue account is similar in form to the fire and accident account, but owing to the length of time taken to settle claims this account is usually kept open for two, three or four years. Accounts are often shown separately for "current year," "last preceding year" and "previous years," and transfers are made to the profit and loss account only from the accounts of "previous years." The total reserve for outstanding claims for all years is always more than the premium income for the current year. The ratio of reserves to premium income is often used as a rough indicator of the strength of the fund. A steep rise in premiums will have the effect of reducing the ratio for merely statistical reasons. Similarly a transfer to the profit and loss account will reduce the ratio. But, provided such points are kept in mind, this ratio is one of the few yardsticks that an investor can apply to a marine fund.

THE life and annuity revenue accounts cannot be interpreted in the same way as the accounts of the other departments. These accounts show each year the fund at the beginning of the accounting period, the additions by way of premium income and interest (less tax) and the outgoings consisting of claims, surrenders and expenses, the balancing item being the fund at the end of the accounting period. What the revenue accounts do not show is how the fund compares with the liabilities which it has to meet. In order to assess the liabilities an actuarial valuation must be made at the end of every five years; this is the minimum requirement but many offices value at three-yearly intervals while industrial-ordinary offices value annually. A comparison of the amount of the fund with the value of the liabilities shows how much surplus there is available. What proportion of the surplus the directors consider is distributable is shared between policyholders and shareholders according to the company's articles, but the shareholders' portion is nowadays rarely more than 10 per cent and generally rather less. It will be seen that life department revenue accounts unaccompanied by the periodical valuation tell the investor very little. The most helpful factor therefore to watch, between valuations, is the net rate of interest earned on the fund. This is normally found by the formula:

$$\text{Rate per cent} = \frac{2 \times I}{A + B - I} \times 100$$

Where A = fund at beginning of year; B = fund at end of year; I = net interest earned in the year.

Since the surplus on a life fund consists to a large extent of interest profit a comparison of the rate of interest so calculated with the rate assumed in the previous valuation will give some rough indication of the emerging surplus on the life fund; but such a comparison leaves a considerable margin for error, not least because the

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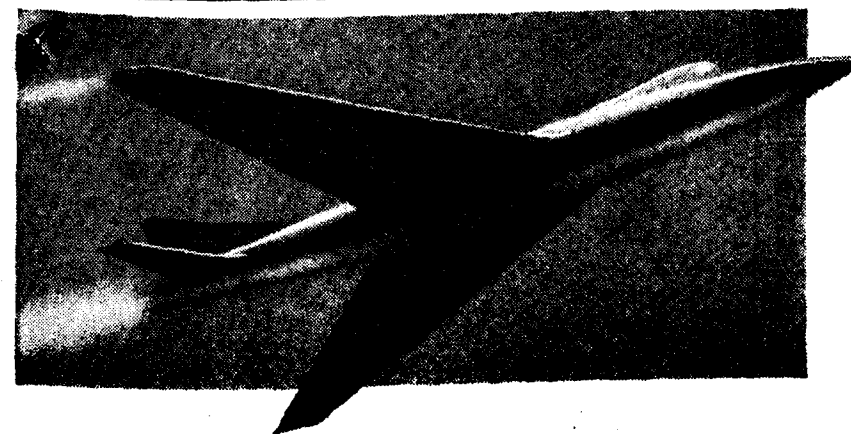
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necessity of setting up adequate reserves for an increase in business will almost certainly have the effect of holding up the emergence of surplus.

For a composite company (one transacting life business together with fire, accident and marine business), the chief items of income in the profit and loss account are the transfers from the revenue accounts (underwriting profits) and interest, dividends and rents (investment income). When a surplus is declared after an actuarial valuation of the life, annuity, or capital redemption funds, it is usual for the shareholders' allocation to be transferred to the profit and loss account in equal annual amounts over the intervening period—the two to five years—before the next valuation. Other miscellaneous sources of income include transfer fees (for those companies which still charge them), trustee fees, and exchange and investment profits. Profit and loss outgo consists mainly of taxation on investment income, other UK taxation, and any overseas taxation not already charged in the departmental accounts. Provision for staff superannuation is also fairly heavy and, in addition, there are miscellaneous provisions such as bad debts or losses on exchange. The balance between income and outgo, which includes the office's underwriting results for the year, may be regarded as the net earnings after tax for the year available for the payment of dividends. Underwriting is notoriously a cyclical business and no company would be expected to show a consistently upward trend of underwriting profits. The investor commonly uses as a guide the ratio of net earnings to the net dividend to establish the earnings cover; he would be well advised to use this ratio in conjunction with the cover provided by the gross investment income for the gross dividend. It is, in fact, investment income that is the yardstick of success and the indicator of dividend prospects. In 1957, the worst of recent years in underwriting experience, the

dividends of twenty large companies were barely covered by earnings; but they were covered one and a half times by investment income. In 1960, the dividends of the same companies were some 75 per cent higher, and they were covered one and one third times by both net earnings and investment income.

In the balance sheet, liabilities include the capital, capital and revenue reserves, the departmental funds and various other liabilities and provisions (of which the most important is "claims admitted but not paid"). The life fund assets and life fund liabilities usually cancel each other out in the consolidated balance sheet, and a life fund balance sheet is presented separately. The total of capital and the capital and revenue reserves represents the "free reserves" and when divided by the number of shares corresponds roughly to the "net asset value" of an industrial share. Assets include fixed and current assets, and it is usual to group together the fixed assets in categories—mortgages and loans, government and municipal stocks, debentures, preference shares, ordinary shares, property and other investments—and to express each category as a percentage of the total.

An assurance company is not required to show the market value of its investments but only to certify that they are, in the aggregate, fully of the value stated. For the majority of insurance companies, government stocks are worth less than their book value while ordinary shares are worth considerably more. The percentage in each category, by book value, may therefore be misleading in terms of market value but by subtracting the book values of the previous year from those of the current year the investor can gain some idea of the categories in which new money has been invested over the year. Then by examining the various stock indexes, he can judge whether a policy of, say, investing in debentures rather than industrial shares is likely to have been successful.

Prospects for Graduated Pensions

Easter Monday, April 3, 1961, brought into force the scheme of graduated pensions introduced by the National Insurance Act, 1959, with its provisions for contracting out, by their employers, of employees covered under adequate occupational schemes.

A LARGE number of pension schemes are based on insurance contracts, and in respect of these the life offices, pension consultants and insurance brokers shouldered a great burden of work in the preceding months to ensure that employers were fully advised. Virtually all employers who elected to contract out received their "Certificates of Non-participation" in time—clear evidence of the success of their efforts and those of the Registrar and his staff. In addition, many new schemes, with benefits generally above the maximum provided in the state scheme, were introduced for the specific purpose of contracting out.

It was heartening to the life offices that in the event the number of employees contracted out was over 4½ million, against an original estimate by the government of 2½ million. There is good reason to believe that this number will increase. Many offices, consultants and brokers will be encouraged to persuade employers to bring their employees under an occupational pension scheme and then contract them out. The contracting out arrangements will involve considerable administrative work, but schemes secured by insurance contracts will carry the assistance of the life offices in these and other matters. The co-operative attitude adopted by both the Ministry of Pensions and the Registrar of Non-participating Employments has been of the greatest assistance to those concerned with the detailed arrangements.

Immediate thought has concentrated on the specific question of whether or not to contract out of the graduated part of the new state scheme. But in the long run the most important aspect of the National Insurance Act, 1959, may well be that it introduced compulsory preservation rights into occupational schemes. This matter has been under considerable discussion since the war, figuring prominently in the reports of as many as three official committees and in the discussions of professional bodies such as the Institute of Actuaries. The broad consensus of informed opinion was that preservation of pension rights on a basis graduated according to length of service was desirable but that, in the absence of compulsion, it was likely to develop only slowly. This element of compulsion has been introduced by the National Insurance Act, 1959. The outcome of the provision for contracting out is that no fewer than 4½ million people are now entitled to compulsory preservation of pension rights at the maximum level of benefits provided by the state graduated scheme. Admittedly, this level of preservation is low, but since the beneficiaries represent some 40 per cent of the total present membership of occupational schemes, there can be no doubt that an entirely new situation has been created and that the level of preservation itself will rise.

Compulsory preservation of pension rights in respect of contracted-out employment may be effected either under the occupa-

tional scheme or by means of a "payment in lieu" under the state scheme. There is clearly a practical minimum to the pension which can be preserved under occupational schemes, and for this reason it will be some years before employees acquire preserved pensions under a number of different occupational schemes. When this situation does arise, however, co-ordinating the payment of such pensions may present a problem. No formal announcement has been made by the representative bodies of the life offices, but they have already given a great deal of thought to the matter and when the problem becomes a reality they are likely to be operating suitable arrangements for co-ordinating the payments in respect of a number of pensions preserved for one individual under schemes secured by insurance contracts.

Since the possibility of a graduated element in the state scheme was first raised in the Labour Party's booklet *National Superannuation* in February, 1957, there has been much speculation about the effect on the pensions business transacted by the life offices. There can be little doubt that, as on previous occasions when extensions have been made to the state scheme, it has brought a considerable net increase in business to the offices. Even where employers have decided not to contract out, they have in most cases

decided to continue their own private arrangements unaltered and very few have entirely cancelled their arrangements.

So there is plenty of encouragement for life offices, consultants and brokers to direct their main efforts to the provision of more adequate pensions for the so-called "uncovered 50 per cent" who are not at present covered by an occupational scheme. An obvious corollary to this is that time spent in altering existing private arrangements of whatever kind for insubstantial reasons will not be in the widest interests of the private sector as a whole.

The burdens imposed on the life offices, consultants and brokers by the alterations to the pensions background brought about by the Finance Act, 1956, and by the National Insurance Act, 1959, have inhibited the spread of private pension schemes. The Finance Act, 1956, led to the wholesale remaking of existing schemes secured by insurance contracts so as to afford employees and employers the advantages of more favourable tax treatment. For offices running a large number of schemes, this task was far from complete when they had to give detailed attention to the proposals which culminated in the National Insurance Act, 1959. It would assist the spread of private pension provision if the government forbore from further legislation in this field for some years.

Variable Insurance Contracts

Insurance contracts providing variable forms of annuity and life benefits are comparatively new in this country, the first appearing in 1957 and the latest this year. These policies link the value of the benefits with the price movement of units in a unit trust or with the value of the investments in a special fund.

THE reasoning behind the variable annuity is that, broadly speaking, ordinary share prices should move in line with other prices and that on retirement the annuitant's real income will be protected to some extent against any fall in the value of money. The policyholder secures the maximum return (it could, in theory, be a loss) and the office writing the policy shoulders none of the investment risk, as it would if it backed a conventional annuity by a fund of ordinary shares. The policyholder gains the full equity advantage but he also carries the full equity risk. This, in other words, is an annuity for the sophisticated policyholder who realises that his income on retirement may vary quite widely. The variable endowment schemes link the sum payable on death or maturity to the price of the underlying units and the policyholder carries the risks and advantages of an equity portfolio.

VARIABLE ANNUITIES

THESE specialised forms of contract have been issued by two offices, the London and Manchester and the Northern, for several years. The policies are issued only to self-employed and other persons for whom no approved pension arrangement is available. Those who can hold these policies and the amounts of premium which they can pay are set out in the 1956 Finance Act, which allows the premiums paid to be offset against relevant taxable income. The offices can recover most of the tax deducted from dividends received on investments so that in effect there is a gross roll-up of premiums.

The London and Manchester plan provides benefits linked in value to the day-to-day price of Investment Trust Units. The minimum premium is £200 in any year and the premiums are converted into a number of variable annuity units which are payable from an agreed pension age between the 60th and 70th birthdays. Normally the annuity is payable for a guaranteed minimum period of five years and for life thereafter. The current price of Investment

Trust Units determines the number of annuity units secured by each premium paid; similarly, when annuity payments fall due in the future, the value of each payment will be based on the then current price of Investment Trust Units. The London and Manchester contract guarantees the rate of expense, investment yield and the mortality risk, so that the policyholder is concerned only with fluctuations in the price of Investment Trust Units; any profit or loss on the other factors is the affair of the London and Manchester. If the policyholder dies before the selected pension age a return is made to the estate in cash of all premiums paid under the policy. The policyholder can also elect to accept a reduced personal annuity to provide for a reversionary annuity to his wife should she survive him.

The Northern plan works on different lines. All premiums paid are carried to a special variable annuity fund which, normally, is invested entirely in ordinary shares. The fund has to bear the expenses of running the business within certain limits; but subject to this, all the benefits—capital appreciation, investment income and mortality profit—accrue to the policyholders. The minimum first premium is £100 and the method of operation is to allocate for each premium received a number of "accumulation units" based on the current value of these units, which is tied to the value of the investments in the special fund. The policyholder need not decide at the outset when the annuity will begin and may choose, in due course, any date between the 60th and 70th birthdays. A variety of options are available: he can choose an annuity in variable form or for a fixed amount; he may take it for life only or for a period not exceeding 10 years and for life thereafter; and he can reduce his personal annuity to include his dependants' reversionary annuity in the contract. If a variable annuity is selected, the "accumulation units" are exchanged for a number of "variable annuity units" when the annuity begins and the quarterly annuity payments then vary with the value of these units. Should

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the policyholder die before his annuity instalments begin, his estate receives the net value as at the date of death of the accumulation units standing to his credit.

VARIABLE ENDOWMENT ASSURANCE

THE premiums under the first four of the five plans discussed below are eligible for life assurance tax relief within the usual limits. Under the fifth plan the endowment assurance policy forms part of an approved pension arrangement where the premiums are paid by the employer and therefore attract tax relief.

The *Equitas* policy issued by the London and Edinburgh is an endowment assurance which guarantees a basic sum but links the value of the benefit with the price movement of shares in the Unicorn Trust. The policies are issued for terms of 5 to 25 years. For a policy for a basic £1,000 for a term of 10 years, as an example, each year's premium can be regarded as securing one-tenth of the basic sum assured. On the first premium, the policyholder obtains a benefit related to the value of a number of share units corresponding to a purchase price of £100. Further calculations are made at each renewal date on the basis of the then current price of the share units. When the policy matures, a cash settlement is made on the basis of the value of the share units deemed to have accumulated over the term, but with the guarantee that the sum payable will not be less than the basic £1,000. If the policyholder dies during the term of the policy, the cash settlement is made up of the value of the share units deemed to have been purchased to date of death plus the proportion of the basic sum assured not converted into share units. This again is subject to the guaranteed minimum payment. So far this is the only policy offered with a guaranteed minimum sum payable on death or maturity and this is allowed for in the premium.

British Life Office and British Life Units offer another plan, *British Life Unit Assurance*. This provides by means of an endowment assurance an initial sum assured and a target of not less than £1,000 to be invested over the life of the policy in the units. Policies are issued for terms of 12, 15 or 20 years and the premiums are payable quarterly. The plan includes an investment programme showing the amount available for investment in British Life Units on each quarterly renewal date at the current price. The essence of this scheme, as distinct from the *Equitas* plan, is that the investment of cash into units steadily increases with each premium paid. At the end of the period the accumulated holding of British Life Units is passed to the policyholder. Should the policyholder die during the period of a contract designed, say, to implement the minimum investment programme of £1,000, the amount available would be the British Life Units already secured plus a cash payment of the balance of the investment programme not completed (that is £1,000 less the sums already invested in British Life Units).

The *M & G Trust Assurance Plan* is a variable endowment assurance issued by M & G Trust (Assurance) Ltd in association with London Life. The initial cash sum assured is equal to the total premiums to be paid over the term of the policy. Each premium paid, less a fixed management charge and the cost of assuring the cash payment on death, is invested in units of the M & G General Trust Fund, which are allocated to the policy, together with the income from accumulated units, which is invested in further units which are similarly allocated. In effect, this is a roll-up of dividend income. Policies are usually for terms of 10 to 35 years but with maturity age not beyond 70. The minimum annual premium is £20. At the maturity date the accumulated trust units are passed to the policyholder. On the death of the policyholder during the term, the benefit is made up of the fund of units built up under the contract plus a cash sum equal to the whole of the annual premiums which would have been paid from the date of death up to the end of the term.

The British Shareholders International Trust, in association with Eagle Star and Guardian, offer the *Executive Savings Scheme*, which provides a variable endowment assurance where the sum assured is shown as a number of BSIT units equivalent to a cash sum of between £1,000 and £4,000 based on the price of units on the date the policy begins. The initial premium is one-quarter of the cost of the units followed by uniform annual premiums over the term of the policy. In effect, the office immediately purchases BSIT units equivalent to the total sum assured in advance of the receipt of most of the premiums. On maturity the BSIT units secured by the policy are transferred to the policyholder; on death during the term, the units secured are transferred to the estate.

The British Shareholders Trust in association with the Eagle Star has recently introduced a plan—*BST Unit Retirement Scheme*—similar in method of operation to the *Equitas* policy. The BST policy, however, is not generally available to the public but is intended to provide part of the benefit under an approved "top hat" pension scheme. A feature of a "top hat" arrangement is that normally a part (usually one-quarter) of the value of the benefits at pensionable age may be commuted for a cash payment, which under current regulations is not liable to income tax or surtax. Under the scheme an endowment assurance policy is effected by the employer in terms of BST units to a value not exceeding the part of the member's total retirement benefits which it is expected may be commuted. Over the term of the policy the sum so assured is gradually changed into the value of a number of BST units. On retirement the BST units are transferred to the member who can retain them as an investment or sell them; the balance of the pension arrangement securing an annuity is provided by a separate policy. On death during the term, the amount payable will be a proportion of the basic sum assured plus the value of the number of BST units deemed to have been purchased.

REGULAR SAVING IN A UNIT TRUST PLUS LIFE ASSURANCE COVER

BRITISH SHAREHOLDERS INTERNATIONAL TRUST in association with the Eagle Star has produced a plan called the *Regular Savings Scheme*, for regular savings in BSIT units, by which any individual aged under 55 can contract with BSI Trust to buy a fixed number of units (between 10 and 100) each month at the price then ruling. The contract is for one, two or three years. Should the person die during the period of the contract the life cover provides the value of the balance of the units which would have been purchased to the end of the contract. Thus if a policyholder who has contracted to buy 10 units per month for three years dies at the end of the second year, his estate will receive the 240 units already accumulated plus a cash sum equivalent to the value of 120 units at the date of the death. To the extent that the death benefit is the value of a number of units of fluctuating price this is a form of variable assurance. The cost of the life cover is met by the trust.

DEFERRED annuity contracts, as a rule, cover a long period of years, partly while the premiums paid are accumulating and thereafter while the annuity is being paid. Variable annuities appeal to that section of the public who believe that, taking a long view, an investment in equities will give the best results. Premiums received by the two offices concerned amounted to about £380,000 in 1960. It is reasonable to suggest that a combination of a fixed annuity contract and a variable annuity contract may provide the ideal method of providing a retirement annuity of the self-employed type permitted by the 1956 Finance Act. Some of the variable endowment assurance plans have only recently been offered and it is too early to assess the success of this form of life assurance. If variable life assurance proves popular, then similar plans may well be devised to meet the public demand.

Pension Schemes with Profits

This article is based on answers to a questionnaire sent out to twenty-eight insurance offices that offer deferred annuity policies with a participation in profits.

IN their nature, life assurance and pension policies are long-term contracts. In a pension policy, the period between entry into a scheme and normal retiring date may be as long as 40 years and the pension may be paid for 15 years or more; the complete span may thus cover over 50 years. To determine the premiums which ought to be paid, the actuary of the office concerned has particularly to take into account the rate of interest he should earn on the premiums received and the rates of mortality which are expected. Economic and fiscal considerations which may vary from time to time will affect the rate of interest while rates of mortality may be positively affected by medical discoveries.

Before 1939 the rate of interest which could be earned by an office on its funds was relatively stable. In 1928 some offices were assuming in their premium calculations a net rate of interest as high as 4½ per cent and were prepared to guarantee premium rates in respect of all benefits to be bought for then members of a scheme. Since 1946 interest rates have fluctuated widely and may continue to do so in the future; this has made the assumption of a rate for calculating premiums more problematical. An actuary has to exercise reasonable caution, and at times the interest earned exceeds what he assumed. This has led, within the last decade, to the development of with profit deferred annuity policies which benefit the employer if the rate of interest earned is higher than the rate assumed. The policy premium under a with profit contract is, however, higher than under a non profit contract, but against this the employer is entitled to receive a bonus based on the profits of the office. At the moment this bonus may be sufficient to reduce his total outlay under a with profit contract below that under a non profit contract. But a marked fall in interest rates or an appreciable lengthening of the expectation of life would result in lower bonuses—or in an extreme case, perhaps, no bonus at all.

The number of offices offering a deferred annuity policy with participation in profits has steadily increased. There are now twenty-eight, representing about one-half of those transacting life business. Three of these offices issue policies only on a with profits basis for new schemes. For most of the offices which have been offering a choice between the two types at least 50 per cent of the premium income under new schemes last year was in respect of with profit policies, and in some cases practically all the new business was with profits. Many offices require a minimum number of employees or a minimum annual premium before they are prepared to undertake a with profit scheme. Seven offices have no minimum, but broadly speaking the smaller the scheme the more restricted is the field of choice of an office. On the other hand, there is no maximum limit on the number of employees or the premium payable.

THE conditions applicable to a with profit policy, the methods of sharing in the valuation surplus and the methods of arriving at the cost to the employer vary from office to office. There are also different ways in which the contributions payable by the employer may be calculated. Any comparisons of outlay, unless accompanied by a detailed explanation which would be outside the scope of this article, would therefore be misleading. But irrespective of whether the pension benefits are secured under

a with profit or a non profit policy, there are three methods by which the costing of a scheme can be carried out—annual premium, single premium and controlled funding.

Under the **annual premium method**, when an employee enters the scheme, the cost of his prospective pension at the normal retiring date is spread evenly over the years of his future service and the cost of any future increases in pension are similarly spread. In a contributory scheme the employee bears his proportionate share of the cost.

Under the **single premium method** pensions are purchased from year to year as they accrue. For example, if according to an employee's salary grade he earned £15 of pension for each year of service in that grade, that amount of pension would be bought each year. In a contributory scheme the employee's contribution is applied in the first place to purchase as much as possible of the pension due to be purchased for him in a particular year and then the employer purchases any balance. The actual amount of the pension purchased by the employee's contributions and the cost to the employer of the balance will depend upon the age of the employee on the date on which the pension is purchased. As the employee becomes older so his contributions will purchase a smaller amount of pension, leaving a greater amount to be purchased by the employer. Taking two schemes similar in all respects, under which both numbers and benefits remain static, the cost under the annual premium method in the earlier years is greater than under the single premium method and lower in the later years. In practice, employees leave or retire and their places are taken by younger employees so that taking into account all factors the single premium method is the one usually adopted. It is, however, unsuitable for very small schemes where it could lead to wide fluctuations in cost.

The third method, **controlled funding**, attempts to keep the cost of pensions to employers more level. On certain assumptions about rates of interest and rates of mortality and taking into account the ages of the employees covered by the scheme and their salaries, it is possible to estimate what contributions will purchase the pensions as they emerge. The employer's contributions are therefore allocated as they are paid towards the pensions according to the seniority in age of the members of the fund. Such a method of funding is more suitable for large schemes and when used in conjunction with a with profit policy produces an arrangement similar to a self-administered fund. Not all three methods are offered as choices by all offices transacting with profit business. Nine offices, for example, only offer the controlled funding method. But of the other offices practically all offer the employer a choice of at least two, and some offer all three.

Another method of securing the pensions of employees is to build up a fund by a **deposit administration contract**. The aim here is to set up a fund from which the necessary amount of capital is transferred to purchase pensions as and when they become payable. Two offices issue this particular type of policy and a charge of 5 per cent is made only if the moneys are applied to purchase a pension elsewhere in the market. The contributions to the fund are, broadly speaking, calculated on the same principles as those used in the controlled funding method. The interest element in these schemes is, in the case of one office, geared to the yield on its life and annuity fund and in the other to the rate of bonus declared on a defined class of endowment assurances.

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The offices with one exception are prepared to attach guarantees to their premium rates. The guarantees vary from office to office and in order to compare the guarantees offered by any two offices regard has to be paid to the rates of interest assumed in the calculation of the premiums. A lower rate of interest assumed should, for example, enable an office to grant a longer period of guarantee. The outlay on, or the amount of, the pension is affected by the bonuses declared and there are various methods by which the bonus is translated into relief or benefit to the employer or pensioner. The simplest form is adopted by a number of offices which declare their bonuses as cash discounts of premiums. The actual method of calculation varies as between one office and another; for example, one office calculates the bonus on the average actuarial reserves held during the triennium under review, while another calculates it on the total premiums actually paid. In other cases the bonus is calculated by reference to more than one factor, including, for example, the yield on the office's life and annuity fund or the yield on 2½ per cent Treasury stock. In such cases the aim is to give the employer the benefit of the difference between the assumed rate of interest and the rate earned.

Other offices declare bonuses as a percentage increase in the pension and four offices declare a maturity bonus when a pension becomes payable. In these cases the bonus may be allowed to remain as a permanent increment to the pension. This gives employees an increase in benefits without an increase in outlay. Alternatively, the bonus may be taken into account in calculating the amount of pension to be bought by the employer; this reduces

the amount of pension to be bought by him in any particular year and consequently the total cost of the scheme in that year. In their initial calculations some offices assume that a certain rate of bonus will be declared, and the employers' outlay is then calculated on this assumption. In such cases the outlay will be reduced only if the rate of bonus declared exceeds the rate assumed. A reduction in interest rates would, however, be slow to depress bonuses because of the yields obtained on past investments.

THUS there are several methods of costing, various guarantees attaching to the premium rates and various forms of bonus or rebate. The variety of contracts offered makes it easier to meet the varying requirements of employers. In some cases the benefit is immediate; in others it is deferred. An employer who prefers to rely upon an insurance company to guarantee the payment of pensions and other benefits can, by effecting a suitable with profit policy, secure advantages comparable with those which, in current economic circumstances, are available to a self-administered fund. Such an arrangement could, taking into consideration all factors, prove no more costly, and might even be cheaper, than a self-administered fund. Moreover, it is not necessary to secure all the benefits under a pension scheme on the same basis; an employer can, for example, secure one half on a non profit basis and the other half on a with profit basis. These matters are obviously complex; and any employer who feels that a with profit policy might be the most suitable means of providing pension benefits for his employees will need the guidance of an expert in pension business.

Home Service Insurance

HOME service life assurance has been out of the public eye during a decade of Conservative rule. Its progress has been more pedestrian than that of the ordinary life and pensions departments, but industrial life funds now exceed £1,400 million and the business makes an annual contribution to savings of the order of £75 million. Last year, in fact, industrial assurance funds rose by more than £80 million, though the number of industrial assurance policies in force has continued to decline. The decline has been wholly in policies for which premiums are being paid and the number of free paid-up assurances has risen.

New industrial life sums assured in 1960 by the ten leading offices included in table VIII, which account for over 90 per cent of the total business done by the 14 insurance companies and 90 or so friendly societies in this field, rose by £21 million to £357 million. As in the ordinary life branch, endowment assurances have predominated. The aggregate industrial life premium income of the ten companies was £178½ million, compared with £170½ million in 1959. Expenses absorbed 32.6 per cent of these premiums, a slight reduction on 1959. Expense ratios in industrial assurance run at about twice the average level in ordinary life business, but the offices towards the lower end of the scale cannot fairly be criticised, when the cost of collecting

premiums at the policyholder's door weekly or monthly is taken into account; this is, after all, the essence of the business. Costs in fact are being held down in the face of increases in wages, which form a substantial part of industrial life expenses. In 1949, the average expense ratios for insurance companies and for collecting friendly societies were 29.0 per cent and 39.5 per cent respectively; in 1959, the corresponding figures were 31.6 per cent and 36.1 per cent. High expense ratios are nowadays confined almost entirely to small collecting

societies whose annual premium income does not exceed £2,000. In 1959, the latest year for which official statistics are available, the average expense ratio for the 55 societies in this category was 63 per cent.

Industrial branch policyholders share in the prosperity of the offices. In the Prudential, for example, the current industrial branch bonus is 38s. per £100 assured, plus an additional bonus on death or maturity at the same rate as in the ordinary branch.

The lapse ratio rose in 1959 against the postwar trend. For industrial assurance companies it was 17.1 per cent in 1959, compared with 15.2 per cent in 1958 and 24.3 per cent in 1949; for the friendly societies the lapse ratio was 18.0 per cent in 1959, compared with 16.5 per cent in 1958 and 23.2 per cent in 1949.

TABLE VIII.—INDUSTRIAL LIFE ASSURANCE, 1959–1960

	Fund at End of Year		Premium Income		Net New Sums Assured		Expense Ratio		Net Yield per cent on Funds	
	1959	1960	1959	1960	1959	1960	1959	1960	1959	1960
Britannic	£ mn. 67.9	£ mn. 73.7	£ mn. 26.5	£ mn. 27.9	£ mn. 10.3	£ mn. 17.1	% 30.7	% 30.9	£ s. d. 5 15 6	£ s. d. 6 2 10
Co-operative	131.0	144.9	26.5	27.9	49.3	50.4	27.3	27.0	5 14 11	5 18 2
Liverpool Victoria ..	135.2	143.9	18.2	19.4	40.5	44.0	32.5	32.1	4 17 7	4 19 6
London & Manchester	32.5	34.8	4.1	4.4	7.3	7.7	30.3	30.7	5 17 1	5 19 7
Pearl	149.2	158.5	21.2	22.3	43.4	52.1	31.2	31.3	5 19 10	6 7 1
Prudential	472.6	497.0	56.0	58.2	110.1	115.3	30.9	30.4	5 7 0	5 12 7
Refuge	74.3	78.7	11.2	11.7	19.6	20.0	35.5	34.6	5 15 0	5 17 0
Royal Liver	70.5	74.0	9.5	10.0	19.4	18.3	33.9	33.0	4 1 9	4 14 2
Royal London Mutual.	96.8	103.4	11.0	11.5	24.1	26.5	36.2	36.0	5 12 2	5 15 8
Wesleyan & General..	18.6	19.4	2.7	2.8	5.4	5.3	41.1	39.7	5 4 6	5 8 7
Total 10 Offices ...	1,248.6	1,328.3	170.2	178.5	335.5	356.7	33.0*	32.6*	5 9 6*	5 13 6*

* Average.

Bumper Bonuses

HOLDERS of life policies that participate in profits are doing better than ever before. Competition for new business ensures that the unprecedented prosperity of the offices is reflected fully in bonus rates and bonus declarations this year have left the 1959 high water mark well behind. These bonuses stem largely from high interest rates and buoyant income from

ORDINARY LIFE PARTICIPATING POLICIES REGULAR BONUS PER CENT PER ANNUM **

	1950	1955	1960
Co-operative	28/-S	38/-S	48/-S
Pearl*	28/-S	40/-S	52/-S
Prudential*	28/-S	42/-S†	56/-S†

QUINQUENNIAL DECLARATIONS

	1950	1955	1960
London Assurance	30/-C	45/-C	55/-C†
Northern	37/6S	40/-S	58/-S
Norwich Union†	32/-S	42/-S*	55/-S*
Scottish Amicable	32/6C	42/6C	52/6C

	%	%	%
Average net yield on the life annuity and capital redemption assets of 43 offices	3.50||	4.22||	5.08

TRIENNIAL DECLARATIONS

	1954	1957	1960
Commercial Union	37/6C	50/-C	55/-C
(1952)			
National Provident†§	42/6S	52/6S	45/-S†
Sun Life	40/-S	46/-S	56/-S

	%	%	%
Average net yield on the life, annuity and capital redemption assets of 43 offices	4.06||	4.52	5.08

** Examples of recent bonus increases.
S=Simple bonus. C=Compound bonus. *On UK policies: different rates apply overseas.
† Excluding special bonuses. ‡ On endowment assurances: a higher rate of bonus is paid on whole life policies. § Minimum rate: bonuses on sliding scale. || 42 offices.

equities (including property let at rack rentals). They do not owe a great deal to increasing longevity. The charge for the death risk in the predominant endowment assurance class is now so small that there is little scope for profit from this source. Nor, given booming new business, can economy in management contribute much. New whole life and endowment assurance policies at first show a book-keeping loss; the costs of getting the business and setting up the policy can absorb the whole of the first year's premium and are written off im-

mediately, being recouped over the whole term of the contract. The majority of with-profits policyholders benefit also from the gearing effect of the surplus from non-participating business (including pension schemes), though a few offices keep separate participating and non-participating funds.

A few offices have recently taken the plunge of allocating part of their capital gains. The more orthodox actuarial view is that the margin between the market and the book values of equities (after providing for depreciation of fixed interest assets) should be ignored and that participating policyholders should receive their reward wholly through the boost to bonuses that is given by the rise in income from equities. But some offices have taken a different view, not least because reversionary bonuses do not involve immediate disbursement of money apart from the cash payments to the few policyholders who surrender their rights. It can, however, be taken for granted that only a limited part of hidden reserves has been hypothecated.

Two of the leaders in the industrial-cum-ordinary field have improved on the rough justice that is done by the simple bonus system which is usually adopted by the offices. Neither simple bonuses (based on the sum assured alone) nor compound bonuses (which get nearer the mark by bringing existing bonuses into account) closely relate the period that each policy has been in force to the incidence of the profits which are being allocated. Since 1956 the Prudential has been declaring a supplementary bonus on policies which become claims by death or maturity, in recognition of the prior claim of older policyholders to "the substantial increases in the dividends on our holdings of ordinary shares in this country . . . that had largely arisen from investments made in the past." The current rate (additional to the normal bonus for 1960 of 56s. per cent simple) is 15s. per cent simple for each year that the policy was in force before 1959, with a ceiling of £27 for each £100 of participating sum assured. The Royal London Mutual,

THE ECONOMIST JULY 22, 1961

which exceptionally for an industrial-cum-ordinary office declares its bonuses quinquennially, has allotted simple bonuses of 40s. per cent for 1956 and 1957, 44s. for 1958, 48s. for 1959 and 50s. for 1960, together with a special bonus of 10s. per cent for each year of the quinquennium.

What is the scope for further increases in the bonuses on ordinary life policies? Provided that the yield on their assets continues to rise, many life offices should be able to improve on current bonus rates. But further progress by those at the top of the table may be more difficult. Life offices do not

SPECIAL BONUS FROM CAPITAL GAINS

Office	Valuation period ending 31.12.60	Special bonus	Capital gains brought into account	Ordinary Shares at end 1960*
	Years	% per annum	£'000	£ mn. % of total assets
London Assurance ...	5	20/-C	750	12.9 38.3
Marine and General ...	3	30/-S†	350	2.6 23.3
National Provident ...	3	30/-S	1,400	15.2 35.4
Scott. Union & National	5	20/-S	550	8.3 24.2

* At book value. † Single payment. C=Compound. S=Simple.

declare bonuses that they cannot reasonably hope to maintain. At current premium rates, an average gross yield on new money of well over six per cent is required to cover a reversionary bonus of 50s. per cent per annum compound. Unless investment of a significant proportion of the accruing funds in the right sort of equity is abandoned it will be hard to get this kind of return.

With-profits policies should give a very fair measure of protection against inflation if current bonus rates are maintained. Future bonuses depend mainly upon the interest surplus (which is measured by the excess of the yield on the invested funds over the net rate of interest assumed in the premiums). Bonuses are thus vulnerable to ultra-cheap money and to dividend limitation. Neither of these nightmares of earlier postwar years seems likely to keep investment managers awake at nights in the foreseeable future.

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TABLE IX.—FIRE AND ACCIDENT SUMMARY

	Fire								Accident and Miscellaneous							
	1957		1958		1959		1960		1957		1958		1959		1960	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Claims	£'000s 122,390	51.9	£'000s 120,054	50.1	£'000s 126,934	50.5	£'000s 136,059	52.2	£'000s 229,544	60.4	£'000s 251,644	61.9	£'000s 264,443	60.6	£'000s 288,230	61.1
Commission	53,289	22.6	54,249	22.6	56,345	22.4	57,539	22.1	67,215	17.7	70,122	17.3	74,036	17.0	77,120	16.4
Expenses and overseas taxes	53,898	22.9	55,995	23.4	57,627	23.0	58,728	22.5	69,874	18.4	74,878	18.4	80,106	18.4	88,200	18.7
Increase in reserves for unexpired risks	3,792	1.6	2,145	0.9	5,324	2.1	4,117	1.6	16,757	4.4	11,830	2.9	9,710	2.2	13,667	2.9
Profit	2,451	1.0	7,151	3.0	4,948	2.0	4,088	1.6	-3,517	-0.9	-2,192	-0.5	7,743	1.8	4,217	0.9
Premiums	235,820	100.0	239,594	100.0	251,178	100.0	260,521	100.0	379,873	100.0	406,282	100.0	436,038	100.0	471,434	100.0



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TABLE X.—UNITED STATES BUSINESS OF BRITISH COMPANIES (\$'000)

Company	1958				1959				1960			
	Premiums	Under-writing Profits	Investment Earnings*	Branch remittances and subsidiaries' dividends	Premiums	Under-writing Profits	Investment Earnings*	Branch remittances and subsidiaries' dividends	Premiums	Under-writing Profits	Investment Earnings*	Branch remittances and subsidiaries' dividends
Royal (1)	221,578	3,477	13,850	5,429	234,159	4,798	14,045	5,757	244,384	2,577	14,689	5,850
Commercial Union (2)	122,918	6,592	7,455	4,423	131,046	4,007	7,824	4,008	135,569	2,883	8,134	4,126
General Accident	107,239	4,117	5,744	2,000	115,652	3,272	6,585	2,122	123,332	1,330	7,484	2,832
Employers' Liability (3)	81,884	3,640	3,544	2,994	88,055	3,340	4,102	2,974	91,731	66	4,533	2,951
Phoenix	48,626	3,980	2,773	188	50,075	1,788	2,711	200	51,952	3,368	2,890	237
London & Lancashire	34,939	1,778	1,580	1,131	35,902	1,395	1,989	1,430	38,079	1,013	2,057	1,345
London Assurance (4)	29,897	2,162	1,523	956	32,056	372	1,569	1,124	35,394	1,348	1,738	1,525
Pearl	22,246	1,214	1,535	...	18,487	237	1,556	2,450	17,572	971	1,409	7,550
Sun (5) (7)	21,427	1,735	1,265	1,053	22,084	176	1,327	706	20,857	888	1,406	705
Royal Exchange (4) (7)	20,653	3,079	1,168	1,106	22,457	4,359	1,195	59	20,263	1,528	1,301	1,467
Yorkshire (6)	18,649	860	1,262	1,233	18,311	813	1,266	212	18,863	1,295	1,269	184
Norwich Union (8)	12,435	1,175	700	90	...	...	...	...	...	...	...	...
Northern (9)	10,066	49	740	26	11,102	314	730	95	17,557 (10)	2,779 (10)	957 (10)	255 (10)
Prudential	6,522	48	381	113	8,355	47	400	113	9,303	66	430	150
Century	5,644	61	488	161	5,480	133	497	261	5,065	59	512	257
Alliance (3)	5,465	18	260	266	5,903	136	293	292	4,201	206	337	297
Eagle Star	3,058	278	216	285	3,497	172	224	104	3,424	1	227	91
Co-operative	1,729	208	79	...	2,135	8	94	40	2,787	196	116	40
Guardian	1,692	29	208	1,914	2,134	5	197	34	2,283	136	229	38
Total	776,667	34,404	44,771	14,322	806,890	8,258	46,604	21,773	842,616	12,364	49,728	26,784

Source: Best's Insurance Guide. * Gross interest dividends and rents less investment expenses. (1) Including Liverpool & London & Globe. (2) Including North British & Mercantile. (3) Shares held by Northern & Employers' Assurance. (4) Including Sea. (5) Shares held by Sun Alliance Insurance. (6) Including Atlas. (7) Under one management since the end of 1958. (8) Including Scottish Union & National. (9) US business sold to America Fire Loyalty Group in December, 1958: the 1958 figures were not included in the underwriting accounts of the Yorkshire. (10) Including Halifax (of Mass.) previously consolidated with Employers' Liability.

TABLE XI.—UNDERWRITING EXPERIENCE OF 20 OFFICES

Company and Year	Fire Insurance, 1959-60						Accident and Miscellaneous Insurance, 1959-60					
	Premiums	Claims	Ratio (2) to (1)	Profit	Ratio (4) to (1)	Fund at end of year*	Premiums	Claims	Ratio (2) to (1)	Profit	Ratio (4) to (1)	Fund at end of year*
	(1)	(2)	(3)	(4)	(5)	(6)	(1)	(2)	(3)	(4)	(5)	(6)
Alliance	1959 £000's 8,328	1960 £000's 3,343	40.1	829	10.0	£000's 3,331	1959 £000's 9,934	1960 £000's 5,007	50.4	696	7.0	£000's 4,594
Century	1959 2,591	1960 2,515	55.4	55	7.4	3,567	1959 2,699	1960 2,652	54.9	22	0.8	4,902
Commercial Union (a)	1959 47,002	1960 47,724	52.2	563	1.2	36,001	1959 55,439	1960 55,439	57.8	151	5.3	2,265
Co-operative	1959 2,153	1960 2,270	46.9	391	0.8	36,362	1959 11,037	1960 11,037	60.6	53	0.1	30,926
Eagle Star	1959 5,831	1960 6,184	50.3	307	13.5	1,664	1959 7,993	1960 7,993	60.5	147	0.2	32,641
Employers' Liability	1959 6,184	1960 6,782	49.5	275	4.4	3,167	1959 11,037	1960 11,037	61.1	377	3.4	6,570
General Accident	1959 7,694	1960 7,668	50.5	104	1.5	4,423	1959 16,429	1960 16,429	61.0	493	3.8	7,595
Guardian	1959 6,619	1960 6,619	47.0	603	7.8	7,317	1959 18,445	1960 18,445	59.6	598	3.6	6,886
Legal & General	1959 7,975	1960 7,975	44.3	241	2.5	4,897	1959 33,137	1960 33,137	59.6	358	2.0	7,706
London Assurance	1959 10,661	1960 10,661	45.9	172	2.2	5,020	1959 19,600	1960 19,600	64.6	1,426	4.3	12,360
London & Lancashire	1959 9,795	1960 9,795	47.0	603	7.8	7,317	1959 35,443	1960 35,443	62.7	182	0.5	13,053
Northern	1959 10,661	1960 10,661	50.2	144	1.3	5,331	1959 61,478	1960 61,478	62.7	1,100	1.8	30,791
Norwich Union (b)	1959 9,795	1960 9,795	44.3	241	2.5	4,897	1959 42,417	1960 42,417	63.7	1,096	1.7	33,332
Pearl	1959 10,661	1960 10,661	50.2	144	1.3	5,331	1959 19,504	1960 19,504	60.0	394	2.0	8,777
Phoenix	1959 10,661	1960 10,661	50.2	144	1.3	5,331	1959 20,262	1960 20,262	59.4	460	2.3	9,118
Prudential	1959 10,661	1960 10,661	50.2	144	1.3	5,331	1959 2,953	1960 2,953	47.8	224	7.6	2,159
Royal (c)	1959 10,661	1960 10,661	50.2	144	1.3	5,331	1959 3,280	1960 3,280	52.4	157	4.8	2,454
Royal Exchange (d)	1959 10,661	1960 10,661	50.2	144	1.3	5,331	1959 13,771	1960 13,771	64.1	36	0.3	5,508
Sun	1959 10,661	1960 10,661	50.2	144	1.3	5,331	1959 17,198	1960 17,198	64.5	358	2.1	6,879
Yorkshire	1959 10,661	1960 10,661	50.2	144	1.3	5,331	1959 17,280	1960 17,280	62.2	284	1.6	6,912
Total Offices	1959 251,178	1960 260,521	50.5	4,948	2.0	162,323	1959 436,038	1960 471,434	60.6	7,745	1.8	203,037

* Reserves for unexpired risks, estimated liability under outstanding accident and disability claims and additional departmental reserves (not maintained). (a) Including North British & Mercantile. (b) Including Scottish Union & National. (c) Including Liverpool & London & Globe. (d) Including Atlas.



LAPORTE INDUSTRIES LIMITED

*Extracts from
the Statement by the Chairman
Mr. P. D. O'Brien*

The Year's Trading

Group income for the year of £3,333,525 before taxation is not substantially different from that of the previous year. In common with many other companies we have experienced higher expenses, increased competition and reduced profit margins.

One year's results, however, must be viewed in perspective, both in relation to the past and to the future. Over the last ten years the history of Laporte has been one of growth, but between each major advancement there has been a period of consolidation. We are broadly in that position today. We have reached a period in which we are reaping the benefit of past capital expenditure, but also in which new plants are being erected which are not yet contributing to Group earnings.

Research and Development

Research and development work is of fundamental importance to the future growth of the Group.

Most companies of the Laporte Group have their own research teams but it is felt that there is a pressing need to devote attention to longer-range research in broader fields.

Personnel

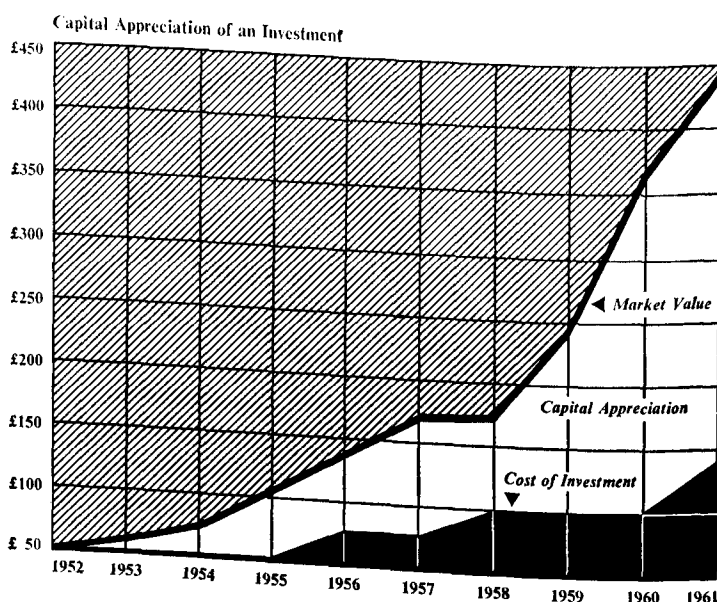
Our personnel department pays constant attention to ensuring that conditions of employment are fully in keeping with modern trends and also that recruitment is on such a scale and of such a standard that the efficiency of the Company can always be maintained.

During the current financial year the Company has announced details of an improved scheme designed to reward employees for long service whilst as regards recruitment, methods consist of regular contact with all the major seats of learning in the country.

The Future

It is the responsibility of your Board continuously to be looking forward with the object of developing the Company, and I should now like to mention individually some of the steps taken in this direction.

TITANIUM OXIDE. Such is our faith in the future prospects of this product that certain decisions have been taken which we believe will



enhance the opportunity of the Company to share in the development of this product overseas.

(a) *Australia.* As a result of the findings of a technical team sent to Western Australia in late 1960, an agreement has been concluded with the Premier of Western Australia and his Government to establish a £A4 million plant in Bunbury.

We believe that there should be no difficulty in finding a ready market for the output of the plant.

(b) *U.S.A.* An agreement has also been made with the internationally known American Potash & Chemical Corporation to erect a plant on the west coast of the U.S. and design teams on both sides of the Atlantic are hard at work to bring these plans to fruition.

(c) *India.* It is proposed to extend our Group interest in conjunction with our Indian partners by the establishment of a new company which will manufacture titanium oxide under an agreement with Laporte Titanium Ltd. The Laporte Group interest will be substantial, but a minority one.

ORGANIC CHEMISTRY. This branch of chemical manufacture is expanding more rapidly than any other. Consequently, when the possibility arose to acquire the shares of Howards & Sons Ltd., who are already well established in this field, we took advantage of the opportunity to negotiate the acquisition of this company.

ELEKTROCHEMISCHE WERKE MUNCHEN AKTIENGESellschaft. For a number of years your Company has had a friendly relationship with EWM, and as your Directors had decided that an established position in the European continent was in the best interests of the Group, we negotiated with the previous owners of EWM to acquire that company. Together we stand a great chance of reaping some of the rewards that should arise from manufacture and sale within the European Economic Community.

Conclusion

We are living in a world of change; but a world of change is also a world of challenge and it is the responsibility of your Board to grasp such opportunities as these newer conditions may offer. The plans and actions I have outlined above are positive measures designed to promote the growth and prosperity of the Laporte Group.

Copies of the Report and Accounts may be obtained from the Secretary, Laporte Industries Limited, Hanover House, Hanover Square, London, W.1.

COURTAULDS

MAN-MADE FIBRES - FABRICS - CHEMICALS - WOODPULP
PACKAGING - PAINT - PLASTICS - ENGINEERING

*Points from the Report of the Directors
and the Statement made by the Chairman, Sir John Hanbury-Williams, C.V.O.,
to the Annual General Meeting on 19th July, 1961.*

	1961 £	1960* £
GROUP SALES	171,921,840	139,924,379
GROUP PROFIT	18,696,544	21,044,043
GROUP PROFIT AFTER TAX	9,822,430	11,217,524
DIVIDENDS (less tax)	5,432,441	4,720,839
ORDINARY DIVIDEND PER £1 UNIT	2 -d.	1 10½d. †
GROUP CAPITAL EMPLOYED	207,770,588	202,013,458

* 1960 figures do not include the results of Pinchin, Johnson & Associates Limited.
† Adjusted to allow for scrip issue of 1 for 3.

TRADING

Business in fibres was steady at the start of the year and advances were made notably in 'Courtelle', 'Tricel' and nylon, but towards the late autumn sales of viscose staple fell off in the United Kingdom with a consequent effect on profits. Rising costs and lower average selling prices in export markets affected the profitability of some products.

The results of our Canadian and American subsidiaries suffered severely from intense price cutting, and this unsatisfactory state of affairs continues.

Trading in some of our non-textile activities, e.g. chemicals, woodpulp and packaging film, showed an improvement, but the profits of Pinchin, Johnson & Associates were lower than last year due to the reduced demand for paint as a result of credit restrictions on sales of motor cars and domestic appliances.

RESEARCH

The major part of the research effort continues to be in fibres. Considerable increases have been achieved in the strength of viscose tyre yarn and improvements made in the strength and abrasion resistance of 'Tricel' yarns. Work has also been done in developing modified forms of 'Courtelle' acrylic fibre which will in due course extend the market for this important fibre.

Two new finishes for viscose fabrics have been brought to a commercial stage. The first produces very stable fabrics which can be boiled without noticeable shrinking; the second is applied to washable linings.

Copies of the Directors' Report and Chairman's Statement can be obtained from the Secretary, Courtaulds, Ltd., 16, St. Martin's-le-Grand, London, E.C.1.

Work on petrochemicals has been accelerated and a development plant erected at Spondon to make peracetic acid and various epoxy derivatives.

NEW INVESTMENT

'Courtelle' capacity is being trebled at Grimsby, and a 10 million lb. plant has been built in France. British Cellophane are again extending capacity at Barrow-in-Furness.

We are further expanding our chemical activities at Spondon and at Trafford Park. Plans have been announced to build a 10,000 ton plant for caprolactam monomer under the new Snia Viscosa process.

We have maintained our minority interest in Snia Viscosa by taking up our rights in last year's issue at a cost of £1.8m., and have invested a further £1.5m. in the Usutu project in Swaziland to produce pulp for paper and board. A 4 per cent. holding has been acquired for £1.5m. in the Koppers Co. Inc., a leading American chemicals and plastics firm, as a first step in exploring areas of mutual interest.

FUTURE PROSPECTS

Concluding his statement, Sir John Hanbury-Williams said: "Group profits in the first three months of this financial year were less than those for April, May and June, 1960, which was the best quarter of last year. The remaining nine months of the year should show some improvement over those of last year, although the widespread uncertainty of the present economic situation must increase the difficulty of maintaining profits at last year's level."

Courtaulds have important manufacturing interests in the United Kingdom, Europe, Africa, Asia, Australia and America, and world-wide trading connections.

LAPORTE

PORT OF LONDON AUTHORITY

NET REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1961

Contribution to Capital Outlay:—			
Estimated reduction in income tax liabilities due to Investment Allowances:—	£	£	
Interest on Port Stock:—		136,000	
3 per cent. "A" Stock, 1929-99	259,509		
3 per cent. Stock, 1949-99	62,467		
3 per cent. Registered Stock, 1965-75	452,565		
3 per cent. Registered Stock, 1960-65	91,494		
3 per cent. Redeemable Stock, 1966-71	59,500		
3 per cent. Registered Stock, 1966-68	175,000		
5 per cent. Registered Stock, 1975-78	275,000		
Stock (Redemption) Funds:—		1,375,535	
Interest and Instalments	407,523		
Transfer to Provision for Renewal of Machinery and Plant	500,000		
Transfer to Insurance Fund	77,455		
Balance—Net Revenue for the Year Carried Down	137,730		
	2,634,243		
Transfer to Provision for Renewal of Machinery and Plant:—			
In addition to the provision for the current year shown above	100,000		
Transfer to General Reserve Fund	100,000		
	£200,000		
		2,634,243	
		137,730	
		62,270	
		£200,000	

GENERAL BALANCE SHEET AT 31st MARCH, 1961

Capital Liabilities	£	£	
Port Stock Outstanding:—			
3 per cent. "A" Stock, 1929-99	8,650,299		
3 per cent. Stock, 1949-99	1,784,783		
3 per cent. Registered Stock, 1965-75	12,930,424		
3 per cent. Registered Stock, 1960-65	2,588,483		
3 per cent. Redeemable Stock, 1966-71	1,700,000		
3 per cent. Registered Stock, 1966-68	5,000,000		
5 per cent. Registered Stock, 1975-78	5,000,000		
Capital Redemption Accounts		37,653,989	
Stock (Redemption) Funds	4,241,886		
(Investments at cost per contra £4,241,886)			
Capital Redeemed:—			
Port Stock extinguished	5,653,968		
Amounts withdrawn from Stock (Redemption) Funds and applied in exercise of Borrowing Powers	5,485,352		
	11,139,320		
Less: Sums written off Capital Expenditure in respect of demolished properties, expenses of Port of London Acts, etc.	2,999,250		
	8,140,070	12,381,956	
Capital Reserves			
War Damage:—			
Balance of compensation received under the War Damage (Public Utility Undertakings, etc.) Act, 1949	3,807,848		
Revenue Contributions to Capital Outlay:—			
Balance at 31st March, 1960	633,000		
Add: Transfer from Net Revenue Account	136,000		
	769,000		
Revenue Reserves and Net Revenue Account		4,576,848	
General Reserve Fund:—			
Balance at 31st March, 1960	1,400,000		
Add: Transfer from Net Revenue Account	100,000		
(Investments at cost per contra £1,500,000)		1,500,000	
Insurance Fund:—			
Balance at 31st March, 1960	1,011,018		
Add: Income from Investments	34,620		
Transfer from Net Revenue Account	77,455		
	1,123,093		
Less: Losses, Re-insurances, etc., during the year, after adjustment of Income Tax	54,459		
(Investments at cost per contra £1,068,634)		1,068,634	
Reserve for Income Tax:—			
Amount set aside for future income tax	101,000		
Reserve for Losses on Sale or Redemption of Investments	306,766		
Add: Net Profit on sale of investments during the year	107,885		
	414,651		
Net Revenue Account:—			
Balance (Surplus) at 31st March, 1960	756,986		
Less: Deficit for the year ended 31st March, 1961	62,270		
	694,716		
Provisions		3,779,001	
Provision for Renewal of Machinery and Plant:—			
Amount unexpended at 31st March, 1960	1,044,327		
Add: Transfer from Net Revenue Account	600,000		
	1,644,327		
Less: Expenditure during the year	831,766		
	812,561		
Current Liabilities			
Creditors and Accrued Expenses	2,845,203		
Revenue, etc., Collected in Advance	364,621		
Interest (Less Income Tax) Accrued on Port Stocks	181,174		
	3,390,998		
	£62,595,353		
		£62,595,353	

Published by Order of the Port of London Authority pursuant to the provisions of Section 109 (4) of the Port of London (Consolidation) Act, 1920
London, E.C.3. 11th July, 1961
E. S. BIRCH, Secretary.

THE LONDON & EDINBURGH INSURANCE COMPANY LIMITED

A VERY SUCCESSFUL YEAR

MR G. J. STEWART'S REVIEW OF WORLD-WIDE OPERATIONS

The forty-second annual general meeting of The London & Edinburgh Insurance Company Limited was held on July 13th in London.

The following is the circulated statement of the Chairman, Mr G. J. Stewart.

The increased profit for 1960 is a welcome sign that some, at least, of the troubles that have beset the insurance market for the past few years are behind us. However, it is as well to remember that profits and losses in our business are quite largely geared to such unpredictable and uncontrollable causes as economic trends, political upheavals and even vagaries of the weather.

The end months of 1960 were not favourable on the American scene. Nevertheless, our business is now very diversified and, with our world-wide operations, losses in one territory are usually compensated elsewhere.

Our participation in Marine underwriting is now getting too small in relation to our total premium volume, and we shall be taking steps to increase this section when suitable arrangements can be made. The results for 1960 were better than in the preceding year, and the carry forward in the Marine Fund amounts to 210 per cent of our 1960 premium income.

The Non-Marine portfolio underwritten by London agents, B. D. Cooke and Partners, suffered from some of the prevalent problems of the American casualty field, and we sustained a small loss.

The Aviation account, always expanding with the new high-valued equipment, shows a gradual improvement in loss ratio, and the company is participating substantially in the new premiums that are flowing in.

HOME AGENCY BUSINESS

Our Home Agency business once more produced satisfactory results—the premium income increased by 15 per cent and, for the first time, gross premiums reached £300,000. As in the previous year, fire losses in the United Kingdom were again heavy and there was also no improvement in burglary losses. This is the experience of the market generally and I regret to say adverse results are likely to continue in the absence of a substantial increase in rates. In spite of these difficulties, however, and although providing for a corresponding increase in premium reserve—the account once again made a useful contribution to our overall profit.

Canada again was our star performer, all the more creditable because our main business there is automobile. We seem to have now secured the pattern of turning out an annual profit from this otherwise most difficult branch of insurance; but here I must sound a note of caution. A reinsurance contract, hitherto profitable, has been showing considerable losses in 1961, and although this contract has now been terminated, we shall have to absorb the run-off during the year.

LIFE DEPARTMENT

Our Life Department had another very good

year and, although no attempt has been made to force the pace, we actually received in the year new orders which bring our total sums assured to more than £1,000,000. The bulk of these orders were for our now universally known "Equitas" policy, which is still the only Endowment contract geared to equity shares, in our case the shares of Unicorn Trust, with a built-in guarantee of the Sum Assured.

It is well known that in the early years of a life fund the expense ratio must of necessity be high and you will be pleased to hear that for 1960 the expense ratio—excluding commission—has been reduced from 30 per cent to 20 per cent of our net annual premium income, whilst the fund at the year end has more than doubled at £119,657. This account has now developed into a strong financial position, but nevertheless we have decided to increase its reserves still further by an addition of £5,000 from Profit and Loss Account.

Another good turning point is that we have received an initial dividend from each of our two subsidiaries, Unicorn Securities Limited and Dillon, Walker & Company Limited, which adds £10,100 to our gross profit.

The market value of our investments at the year end was £66,865 greater than the book value, and this surplus had increased to £125,000 by mid-June, 1961.

INVESTMENT INCOME

The investment income climbed to £105,852 and in view of this, and the generally strong position of the Company, your Board has recommended the dividend be increased to 15 per cent, which is covered more than one and a half times by the investment income alone.

We transferred a further £25,000 to our General Reserve Fund, increasing it to £150,000. The balance carried forward in our Profit and Loss Account now stands at £39,194, which compares with £34,787 brought in at the beginning of 1960.

All in all, a very successful and satisfactory year, due largely to the untiring efforts of our agents, staff and many loyal friends to whom once again we extend our grateful and sincere thanks.

CHAIRMAN'S ADDITIONAL REMARKS

My annual review for 1960 has been in your hands for some time now giving a brief report of your company's position and progress.

You have probably noticed in the Fire and Accident Revenue accounts that an item of fully earned premium, for which no reserve provision is necessary, increased quite considerably during 1960. The volume of these special contracts, quite profitable to the company, has substantially reduced during the current year and will more approximate to the 1959 figure by the end of 1961. Our regular term and treaty business carries the customary reserve.

I would like now to mention a personal

matter. In June, 1960, the whole market suffered a severe loss by the death of my friend Reginald Cheesman, who had given such valuable service to this Company, particularly in the early years when we took over the management. I would like to express the sympathy of us all to our marine underwriting agents, Bland, Welch & Company, in the great loss they have sustained.

The report and accounts were adopted.

BRICKWOODS LIMITED

SATISFACTORY CURRENT TRADING POSITION

The 70th annual ordinary general meeting of Brickwoods Limited will be held on August 11 at Portsmouth.

The following are extracts from the Directors' General Report:—

The very poor summer of 1960 militated against all businesses such as ours, whose main area of operations are concentrated on the south coast and which rely to a great extent upon seasonal demand. However, soon after the turn of the year there was a marked recovery in our trade and we were able to finish up with a small overall increase in sales.

Smeeds Limited and Sunshine Hotels Limited, which Companies respectively control the Group's Off Licence Shops and Managed Houses and Hotels, and The Southern Table Water Company Limited, manufacturers of the well known SOTA Mineral Waters, all played their usual important part in the organisation's prosperity.

The Profit of the Group before Taxation amounted to £901,420, an increase of £13,206 over the preceding year. Taxation takes £441,484 against £416,964 the previous year. The Directors propose a Final dividend on the Ordinary Stock of 10 per cent plus a Bonus of 2 per cent making, with the interim dividend already paid, a total of 17 per cent for the year (1960 15 per cent plus a bonus of 2 per cent).

In the Directors' General Report of 1957 mention was made of steps being taken which would clear the way for the closing of our King Street, Southsea brewery, but we thought that at least five years would elapse before this could be done.

Since 1957, large works have been and are still being carried out at Admiralty Road Brewery and it is hoped that the substantial brewing output of King Street will be brought over to Admiralty Road towards the end of 1962. Considerable economies in certain overhead costs should then become apparent.

FUTURE OUTLOOK

The increase in Profits Tax levied by the Chancellor in 1960 has adversely affected the net profit in the accounts now presented and unfortunately a further rise in this penal tax imposed this year will have to be found in respect of the current trading period. With the Standard Rate at its present level of 7s. 9d. in the £, the total of Income Tax and Profits Tax in the current year will be no less than 53 per cent of the taxable profits.

The benefit of the Easter trade was felt in March this year, but a warm and generally dry spring and a fine Whitsun have made the first three months' trading in the current financial year satisfactory, but only a long fine summer will produce really good trading prospects in an essentially holiday area such as ours.

LORRAINE-ESCAUT

At the annual general meeting held on June 13, 1961, and presided over by M. Roland Labbe, the balance sheet for the year 1960 was adopted. Net profits stood at NF 18,737,000 and the meeting approved a gross dividend of NF 7.65 per share on capital which during the past year was increased from NF 206,250,000 to NF 226,875,000. This represents a net dividend after tax of NF 5.82, as against NF 5.35 for the preceding period.

Both the Board's Report and the Chairman's address indicated that output of Lorraine-Escaut in 1960 had risen to 2,120,000 tons, as against 1,874,000 in the previous year, an increase of more than 13 per cent, equivalent to the increase in total national output of iron and steel.

The output of the French tube industry in 1960, exclusive of heavy welded tubular products, rose from the 1959 figure of 862,000 tons to 990,000 tons, and the contribution of Lorraine-Escaut towards this output was 359,000 tons as opposed to 326,000 tons in the previous year, showing an increase of 10 per cent. On the other hand, the output of heavy pipe-line and gas conduit products fell, owing to the unusually urgent circumstances which governed the placing of these large orders. Output of heavy welded tubular products from the Lorraine-Escaut foundry at Sedan was 40,000 tons, against 110,000 tons in 1959.

However, since the beginning of the 1961 period the output of heavy tubular products has picked up and is henceforth secure as far as the Sedan works is concerned until February, 1962.

The Company's turnover rose from NF 1.196 million in 1959 to NF 1.340 million in 1960, representing a 12 per cent increase.

Concerning future development by the Company, account should be taken of the recent important agreement made between Lorraine-Escaut and Usinor, which provides for the use by Lorraine-Escaut, in return for financial assistance, of 10 per cent of the hot rolling and

20 per cent of the cold rolling capacity of the new Dunkirk works in the course of construction by Usinor. This agreement will enable Lorraine-Escaut to improve its position considerably with regard to sheet steel and to the supplies for its works producing tubular steel products, whilst limiting its financial undertakings to its real needs on this score.

The same principle was behind the agreement made at the end of 1960 with the Société des Hauts Fourneaux et Forges de Saulnes et Gorcy for the mutual development of a wire rolling mill which is to be set up by the latter firm in its foundries. Lorraine-Escaut will be in a position to use half the output of this mill, which is of the order of 30,000 tons a month.

New equipment which has been brought into use in the different premises of Lorraine-Escaut are: an ore crushing plant at the Moulaine mine, a large blast furnace and a Martin process furnace at Longwy, as well as an electric furnace at Anzin. Other undertakings are in progress or are being initiated within the framework of the Fourth Equipment and Modernisation scheme—amongst which may be mentioned the expansion of the Thomas de Senelle steelworks by the setting up at Longwy of a pure-oxygen steel plant and the equipping of a new mill for commercial sheet steel and small girders.

For the first five months of the present financial year Lorraine-Escaut has produced 944,420 tons of steel as against an output of 892,660 tons for the same period in 1960, which represents an increase in output of 6 per cent; output of heavy tubular products exclusive of heavy welded tubular products at Sedan has fallen off slightly in comparison with the corresponding five months of 1960, with 153,000 tons against 156,000 tons, but output remains nevertheless slightly up on last year's monthly average. With regard to the Sedan mills, output at end of May was 46,560 tons of tubular products as against 33,000 tons at the same date in 1960.

The total sales, at May 31st, was of the order of NF 605 million, 7 per cent above turnover for the first five months of 1960.

ANGLO ORIENTAL PLANTATIONS

CONTINUING PROGRAMME OF CAPITAL EXPENDITURE

The second annual general meeting of Anglo Oriental Plantations Limited was held on July 13 in London, Mr G. F. A. Burgess (the Chairman) presiding. The following is an extract from his circulated statement:

The consolidated net profit before tax is smaller than for 1959, largely because of lower net sale prices of rubber.

Palm oil prices have also been lower but thanks to a larger crop and some reduction in costs, the total working profit of this commodity (including Kernels) showed an increase.

The Copra crop and the small profit on it are down and will soon be reduced almost to vanishing point as the bulk of the remaining acreage is felled and replanted in oil palms.

There was a small loss on Manila Hemp. The position will right itself as the productive acreage increases.

The replanting programme, to which I referred last year, has been fully implemented during 1960, and we have spent £49,529. We intend that replanting shall proceed steadily at much the same rate as in 1959 and 1960.

Capital Expenditure by the Group on the replacement and improvement of the Buildings, Machinery, etc., amounted to over £24,000. To maintain full efficiency will require annual expenditure on average of at least this amount and probably more. We expect to have to enlarge this year the factory at Sungei Choh where crops are increasing rapidly and we must also anticipate having to spend considerable sums on improving our capacity to process palm oil and kernels.

THE OUTLOOK

So far as the short term future is concerned, the fortunes of your company, like the fortunes of all companies engaged in producing primary commodities, depend largely on the state of world trade, particularly in the USA and Europe. In my view there are many signs that the USA recession is a thing of the past, whilst industrial activity is elsewhere on the upgrade. Moreover, producers of commodities cannot now disregard the growing marginal importance of Japan.

The results of your company for 1961 are likely to be adversely affected, unless there is a sudden and substantial rise in the price of natural rubber during the second half of this year. It should not be thought that I am advocating too high a price for rubber, but it is at least to be hoped that the price will remain relatively stable, and thus enable the producers of that commodity, including your own company, to make a fair and reasonable profit and to maintain the replanting programme, which continues to be a vital necessity.

In 1961, we hope to harvest 9.2 million pounds of rubber and 1,460 tons of Palm Oil. As I have already said, profits are likely to be lower this year than in 1960, unless there is an appreciable upturn in rubber prices, but I hope that when we next meet I shall be able to put before you results which you will not find unsatisfactory.

The report and accounts were adopted.

THE METAL BOX COMPANY LIMITED

EXTRACTS FROM THE REVIEW BY THE CHAIRMAN
SIR HAROLD ROXBEE COX

AFRICA

South Africa. Despite the difficult conditions, the company enjoyed its most successful trading year and the Walvis Bay factory was kept exceptionally busy meeting their demands.

The South African company began to make plastic containers in Johannesburg.

Central Africa. The Central African company made good progress. The second factory, at Bulawayo, should be ready early in 1962.

East Africa. The demand for meat cans and other products is increasing and we are putting down additional equipment both at Thika and Dar-es-Salaam. Our new acquisition, Plastics (Africa) Limited, has also received additional equipment.

West Africa. We have been granted pioneer status by the Federal Government.

WEST INDIES

In October a two-year agreement was negotiated which we hope will ensure settled labour conditions during that period.

We have decided to build a factory in Trinidad, and our application for pioneer status has been granted.

EUROPE

Italy. Now that the S. Ilario factory and offices have been completed we have a unit which is second to none in Italy, equipped to give Italian canners a service far ahead of anything available to them before.

During the year we acquired the business of

HOME

At the time of the issue of ordinary shares to stockholders at 57s. 6d. employees were given the opportunity of acquiring up to 300,000 shares at the same price. Loan facilities of 47s. 6d. per share were made available to them and it was a condition of the issue that the shares were to be held until April, 1963.

The result was gratifying, 3,757 employees applying for a total of 287,935 shares, which were allotted to them in March, 1961; 78,831 shares were bought outright and 209,104 were bought with the assistance of a loan.

OVERSEAS

The overseas subsidiaries have had a particularly good trading year. Their sales in total were 26 per cent higher than last year, at a record figure of £26 million.

The profit yield on sales was more than maintained and the profits before tax rose by £647,000 to £2,947,000, another record.

ASIA

India. The Indian company has had another record year though the tinplate situation remains precarious.

At Bombay the volume of business extended the present capacity to the utmost. Negotiations for a new site are, however, well advanced, and it is hoped before long to begin building a new factory.

Pakistan. In our associated company in Pakistan progress is continuing. Extensions to the Karachi plant are in hand and it has been decided to build a factory near Chittagong, East Pakistan.

Malaya. During the year there was a revival in the demand for canned pineapples. Meanwhile the company continued to widen the range of its production and is no longer entirely dependent on one industry for its prosperity.

Malayan Breweries have started to can beer and this will necessitate the production of beer cans in Malaya. A fish canning industry has been set up in the Federation and at Petaling Jaya milk canning has begun.

At Petaling Jaya we have opened a new research centre.

Italbox with a factory at Lesmo, just north of Milan. The Italian company has also embarked on plastic bottle production. It is intended to use the Sesto factory for the development of plastics, general line and cap business.

Our company has not yet reached the profit-making stage but prospects in Italy are good.

EXPORTS

Export orders booked were a record at £4,085,000 of which £1,865,000 was for machinery. Shipments were also a record at £3,117,000. There were considerably increased demands from overseas customers for our plastic laminations and aerosol cans.

THE OUTLOOK

The reduced home demand which characterized the last few months of the year under review is likely to continue for the first few months of 1961-62. Consequently, although the overseas subsidiaries show every sign of continuing their progress, we do not expect the half-year ending on 30th September, 1961, for the company as a whole to be as good as the half-year which ended on 30th September last.

There are signs of home demand increasing later in the year; I shall be disappointed if overall sales do not surpass this year's record.

The Metal Box Company is, in two senses, widely spread. It has a great many different products and it makes them in a great many different places. It makes them of metal, of paper, of plastics. If the advance slows up a little on one front, it can quicken on another. Looking at the company as a whole, I see its steady advance continuing.

At the Annual General Meeting held last Thursday the report and accounts were approved.

THE GOLDEN HOPE RUBBER ESTATE, LIMITED

AND ITS SUBSIDIARIES

Issued Capital : £1,160,423 in 2s. shares at 28th February, 1961 (since increased to £1,246,666)

Directors : Sir Eric Macfadyen (Chairman), H. B. E. Hake, C.B.E., R. O. Jenkins, M.C., A. Arbuthnott, M.B.E.

Secretaries and Agents : Harrisons & Crosfield, Limited

TOTAL ASSETS (including minority interest £85,960) £3,626,348

PROFIT AND DIVIDEND FOR 1960/61 :—

Profit after tax	£525,880
Replanting	£143,720
New planting	£83,408
Dividend for year—40 per cent., less tax	£284,304

NET CURRENT ASSETS £332,150

CROPS :—

	1960/61	Estimate 1961/62
Rubber	13,168,600 lb.	13,600,000 lb.
Palm products	6,891 tons	7,400 tons

ESTATES :—

Planted—Rubber	21,219 acres
Oil Palms	7,787 acres
	29,006 acres

A.G.M. at 1/4, Great Tower Street, London, E.C.3, on 9th August, 1961, at noon.

NATIONAL MORTGAGE BANK OF GREECE

BANQUE NATIONALE DE CREDIT FONCIER DE GRECE

40, Venizelou Street, Athens, Greece

Established 1927

Governor—CHARLES C. ARLIOTIS

Sub-Governor—ELIAS D. KRIMPAS

GENERAL BALANCE SHEET AS AT 31st DECEMBER, 1960

LIABILITIES			
Share Capital	.....	Drs.	29,200,000.—
Reserves	.....	"	11,840,000.—
Deposits	.....	"	241,764,461.60
Bank of Greece—Financing Account	.....	"	658,871,579.95
Greek State—Financing Account	.....	"	8,150,898.50
Various Financing Accounts	.....	"	70,913,609.20
Outstanding Mortgage Bonds	.....	"	159,558,000.—
Greek State—Loan Account	.....	"	261,591,546.40
Dollar Liabilities	.....	"	1,541,380,654.80
Third Parties Loan Accounts	.....	"	51,452,035.45
Sundry Accounts	.....	"	13,858,655.65
Dividend for the Year 1960	.....	"	1,760,000.—
Profit and Loss (balance carried forward)	.....	"	55,984.85
Total	.....	Drs.	3,050,397,426.40
ASSETS			
Cash in Hand and at Banks	.....	Drs.	80,257,973.10
Securities Owned by the Bank	.....	"	13,415,070.45
Mortgage Bonds Owned by the Bank	.....	"	58,771,368.—
Loans and Arrears			
Out of Own and other Funds	.....	"	190,520,063.85
Out of Bank of Greece Funds	.....	"	696,135,480.75
Out of Greek State Funds	.....	"	9,464,606.80
Out of Sterling Bond Funds	.....	"	83,275,348.54
Loans Financed by and for Account of the Greek State	.....	"	231,517,682.35
Out of American Aid Funds	.....	"	1,541,380,654.80
For Account of Third Parties	.....	"	51,452,035.45
Total Loans by Branches	.....	"	619,009,124.15
Housing Loan Branch	.....	"	2,184,736,748.30
Industry & Public Utility Loans Branch	.....	"	
Bank premises and real estate	.....	"	11,595,004.—
Fixtures and fittings	.....	"	1.—
Difference arising from Settlement of the Bank's Sterling Mortgage Loans in accordance with Article 12 of Legislative Decree 3393/1955	.....	"	82,612,137.40
Total	.....	Drs.	3,050,397,426.40

KULIM RUBBER PLANTATIONS LIMITED

Issued Capital (£1,750,000 authorised):—
£1,603,237 fully paid.

Summary of first Group Accounts (covering the eighteen-month period ended December 31, 1960, for Kulim and one wholly-owned subsidiary, fifteen months for one other, and the twelve months to that date for the remaining two wholly-owned subsidiaries):—

Group Trading Profit (after charging £92,000 for renewals and replacements) ...	£436,799
Taxation ...	£173,437
Dividends paid (Gross £357,407) ...	£218,910
Net Current Assets ...	£345,281

The following are extracts from the annual report and circulated review of the Chairman (Mr P. B. L. COGHLAN):—

EXPANSION.—The Accounts cover a period of great expansion in the Company's interests and activities. From being the owner of three Estates having a total planted area of 5,180 acres, the Company (by the acquisition of the whole of the issued capitals of its four subsidiaries) now possesses ten Estates having a total planted area of 20,854 acres with a current rubber output of about 12,000,000 lbs. per annum. This represents a highly satisfactory yield of 830 lbs. per acre in tapping and it is hoped that this will be increased to nearly 1,000 lbs. per acre within the next two or three years.

IRON ORE DEPOSITS.—Prospecting for iron ore was carried out during 1960 over parts of one of the Group's Kedah Estates by a Chinese mining firm. Prospecting is continuing and, to date, the mining firm has exercised its option to lease areas for mining on terms which provide for the payment to the Company of a total minimum royalty of approximately £53,000, subject to Government mining certificates being obtained. It is now expected that the first of such certificates will be received shortly.

FUTURE PROSPECTS.—Generally speaking, the outlook for natural rubber is favourable and, as world trade conditions improve, there should be a steady demand for our product. Certainly, it would appear that although we are entering into a more competitive era, it should at least be one of more stable market conditions than hitherto.

Annual General Meeting:—July 21, 1961
(19, Fenchurch Street, E.C.3).

COMPANY MEETING REPORTS

LONDON & OVERSEAS FREIGHTERS

A REMARKABLE ACHIEVEMENT IN YEAR OF CONTINUED DEPRESSION

MR BASIL M. MAVROLEON'S STATEMENT

The thirteenth annual general meeting of London & Overseas Freighters Ltd. was held on July 17th in London, Mr Basil M. Mavroleon (Chairman and Managing Director) presiding.

The following is an extract from his circulated review:

The passage of another year must have brought us closer to the improved freight markets which I am confident lie ahead, but the prospects for the immediate future are no brighter than they were at this time last year.

That our Operating Surplus has been halved is known to you, but the maintenance of this level of trading profits is little short of remarkable in the prevailing depression.

For many years we have enjoyed the security, stability and profitability of long-term charters with the major British oil companies. All but three of these fixtures have now expired and the charterers concerned were not able to offer any further employment for the tankers thus becoming free. Fortunately this state of affairs coincided with the entry into the chartering market of the Government of the USSR. They were seeking tonnage for world-wide trading on a period basis, and it thus became possible for us to secure 3 to 4 years' employment for 9 of our tankers. Moreover, the freight receivable under this arrangement is linked to the "going" market rate, thus not only is your Company assured of a minimum income during the difficult time ahead, but it stands to benefit from any substantial improvement in tanker rates. These fixtures will contribute at least £3,000,000 annually to this country's invisible exports.

DIVIDEND

The aggregate dividend on the Ordinary Shares—the Restricted Shares not ranking for dividend—is at the rate of 17½ per cent in accordance with the intention expressed at this time last year. It is gratifying to be able to make this distribution without encroaching upon the accumulated profits of previous years.

FLEET AND BUILDING PROGRAMME

The fleet has remained unchanged throughout the year, but two of the five tankers on order referred to last year have been launched and should commence trading during the current financial year. Arrangements have been made to substitute two dry-cargo ships of 12,500 dwt for the second 32,000 dwt tanker on order in Holland and your Board is at present negotiating for the substitution of dry-cargo ships for the two remaining 34,000 dwt tankers on order in Sweden.

These changes are in accordance with the declared long-term policy of building up a mixed fleet of tankers and dry-cargo ships and will have the effect of placing the earning-capacity of the fleet on a broader footing at any time when the tonnage competing for the carriage of oil proves to be greater than that for other cargoes.

ASSOCIATED COMPANIES

London and Overseas Tankers Ltd. has also been affected by the depression in the tanker

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freight market, but earned an Operating Surplus of about £570,000. The two tankers belonging to this Company are now trading on a similar basis to those of your Company.

The first of the two 34,000 dwt tankers on order in Sweden is due to be launched this month and should be completed next February. The second tanker is due for delivery later in 1962 and will complete the present building programme.

London and Overseas Bulk Carriers Ltd. has enjoyed a successful year's trading with its bulk-carrier, making an Operating Surplus of some £280,000. Arrangements have been made to change the contract for the construction of a dry-cargo vessel in Germany to provide a 19,000 dwt tanker to fulfil a Time Charter which the Company has acquired.

Austin & Pickersgill Ltd. are now benefiting from their modernisation programme and are in a position to quote prices which are competitive with those of any other shipbuilding nation. For the time being profit margins are being reduced—in some cases forfeited entirely—in order to secure the flow of orders necessary to keep the Yard in operation. The output of the Yard during 1960 was the highest on the River Weir and the time required to build ships is being constantly reduced.

DIRECTORS

Mr W. E. Loveridge and Mr. W. F. Pascoe, OBE, retired at the end of the financial year. Sir Gilmour Jenkins, KCB, KBE, MC, and Brigadier E. J. Shearer, CB, CBE, MC, have been appointed Directors in their place.

The report and accounts were adopted.

MILLARS' TIMBER & TRADING CO., LTD.

RECORD TURNOVER

The annual general meeting of this company was held on July 13th in London, Major A. W. Bird, DSO, managing director, presiding.

The following is an extract from the directors' statement for 1960:

The consolidated profit and loss account shows a trading surplus of £312,035, an increase of some £44,000. After allowing for taxation and depreciation, the net profit is £120,500 (£98,251). A dividend of 8 per cent on the Ordinary capital is proposed.

Exports of Jarrah and Karri throughout the world were well maintained, but owing to the high cost of production and competition, profits were not as good as they ought to have been.

Millars' Machinery Company again increased their turnover, but profits fell away somewhat. There is intense competition in this trade. The Wellpoint Service which operates for de-watering foundations continues to be highly successful. In India we continued to forge ahead, and again achieved a record turnover and a fair profit. David Roberts Son & Co. (Bootele) Limited had a successful year and showed improved profits.

The total Group turnover showed an increase of over 10 per cent and constituted an all-time record. Regarding the current year, it seems on the facts as we know them at present that the results should be as good as those for 1960 and possibly better.

The report and accounts were adopted.

THE ECONOMIST JULY 22, 1961

COMPANY AFFAIRS

Distillers Plans Ahead

SHAREHOLDERS in Distillers now have to decide whether to take up their new shares resulting from the one for ten rights issue. To aid shareholders in their decision Sir Graham Hayman, the chairman, has sought his statement forward by a month so as to fill in a few of the gaps left by the circular which accompanied the allotment letters. Sir Graham tells shareholders that total sales last year rose by 13 per cent to £263 million but, as the table shows, the increase in profits was smaller than this as margins were lower.

In the year to March 31st all the increase in earnings came from the whisky and gin divisions, which earned 82 per cent of total profits. On the industrial side keen competition was reflected in reduced profit margins and for the first time in seven years investment income remained virtually unchanged at £2.4 million. By far the biggest of these investments is a 50 per cent stake in British Hydrocarbon Chemicals, which has started to build a new petroleum chemical centre in South Wales. Sales of chemicals and plastics showed a "satisfactory increase" and while he expects no relaxation in competition Sir Graham is confident that Distillers can share in the potential expansion of demand in the future. It is on the expansion of these sides of the business in

Year ended	Mar. 31, 1960	Mar. 31, 1961
Sales	£233,000	£263,000
Trading profit	32,906	34,839
Net profit	16,866	17,224
	%	%
Trading profit/sales	14.1	13.2
Net profit/sales	7.2	6.5

the next three years that much of the £30 million of development money will be spent. One project recently announced by the directors is a synthetic rubber plant using a process developed by Distillers' research department; this may be a Neoprene type of rubber, as the company has done much work on new methods of producing it.

As already announced additional whisky warehouses are being built to house increasing stocks of whisky; for the industry as a whole stocks had risen from 267 million to 297 million proof gallons at the end of March. The industry still seems to be confident about the future trend in sales. Last year Distillers' sales at home rose by 14 per cent to 7½ million proof gallons. Domestic sales were thus restored to the prewar level, but they now represent only about one quarter of total sales. Exports again rose but at a slower rate than in recent years. North America continues to be the biggest single export market even though competition is intense but Sir Graham draws particular attention to the substantial increase in sales in European markets.

In the short term the increase of 1s. 6d. per bottle of whisky and gin should go some way to restoring margins, even though Distillers retains only 3d. of this increase. Against this, however, is the threat of the Chancellor's regulator, although the export trade would remain unaffected. But however well whisky and gin sales thrive, shareholders must be conscious of the cost of the group's industrial developments. They may well be encouraged however by Sir Graham's statement that these developments should enable the company "substantially to increase the present volume of trading and to achieve further improvement in earnings."

The new 10s. shares issued at 32s. 6d., having fallen to a premium of only 3d. at one stage, now stand at 10½d. in their present unpaid form. The old shares at 33s. 7½d. yield just over 4 per cent on the forecast of a maintained dividend of 13½ per cent on the enlarged capital.

Hoover

THE 5s. shares of Hoover fell by 6s. 6d. to 36s. 6d., the lowest point so far this year, following an interim report which revealed a further sharp fall in profits in the first half of this year. Profits are now running at about half the level of a year ago. Compared with the second half of last year, which was itself a lean period, gross profits are nearly 22 per cent lower and net profits nearly 40 per cent lower. Last year it was possible to blame hire-purchase restrictions, but the Hoover directors have now revealed that sales in the first half of this year were only marginally lower in the home market than those of a year ago. Thus, while the credit squeeze may have prevented sales from rising at home, clearly narrower margins account for the latest decline in profits. Wages and

Six months to	June 30, 1960	Dec. 31, 1960	June 30, 1961
	£'000s	£'000s	£'000s
Gross profits	4,013	2,360	1,965
Taxation	1,980	872	1,069
Net profit	1,960	1,423	859

material costs have risen and Hoover has had to bear the cost of introducing new models on a highly competitive market. Moreover, Hoover is the biggest British exporter of washing machines and vacuum cleaners and this year it has met intense competition in Europe. The directors are not optimistic, saying that "with the general economic uncertainty prevailing there is little evidence of any improvement in trading conditions during the coming six months."

The directors have maintained the interim dividend at 5 per cent, but a maintained final dividend of 40 per cent

must at least be open to doubt, especially if the Chancellor's measures have some bite to them. The price of the shares would seem, indeed, to discount some reduction in the dividend, for on last year's payment the yield is 6.8 per cent.

Arusha Industries

WITH the exception of Mr Lindsay Carstairs, the former chairman, the directors of Arusha Industries have recommended the rejection of the proposed loan of £1½ million to the company from Federated Mortgage Corporation of New York. Now the issue is left to shareholders to decide at a meeting to be held on the last day of this month. If the loan is rejected Mr Carstairs will resign from the board; if it is approved, Sir Harold Gillett, the present chairman, and his fellow directors will resign.

Sir Harold has strong grounds for recommending rejection of a loan which carries interest of 6½ per cent and which is repayable in equal quarterly instalments within three years. This, as Sir Harold points out, would involve Arusha in repayments of £585,000 in the first year, £553,000 in the second and £520,000 in the final year and Mr Carstairs has given no clear indication of how these payments could be met beyond saying that "non income producing assets" could be sold. The directors are indeed doubtful whether repayment from capital resources would be practicable in view of the prior charge which the proposed debenture would create.

The directors also object to the conversion option on the loan, which gives the lenders the right to convert 50 per cent of the outstanding loan into ordinary shares at a price equivalent to 8s. a share. This option, they submit, could result in a substantial interest in the company's equity passing at the discretion of the lenders into other hands without the consent of the main body of shareholders.

Clearly if the loan is to be endorsed, shareholders will require more specific assurances from Mr Carstairs as to how the repayments are to be met. On the other hand, no specific proposals have been made by the other directors of Arusha beyond the suggestion made by Sir Harold in his statement in March that the raising of further capital would have to be linked to those businesses which can stand on their own feet. He has however assured shareholders that if the loan is rejected the directors will consider urgently other means of resolving the company's financial difficulties. The most pressing problem is the repayment of the £1,257,000 bank loan; it is now four months since Sir Harold told shareholders that the bankers had said their patience was not inexhaustible. Meanwhile the 4s. shares which jumped to 12s. on the first announcement of the loan have fallen back to 8s. 7½d. Shareholders must be patient while Sir Harold and his fellow directors frame their plans and, in the mean-

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LONDON AND NEW

Prices, 1961		BRITISH FUNDS AND GUARANTEED STOCKS		Price, July 12, 1961	Price, July 19, 1961	Net Yield, July 19, 1961	Gross Yield, July 19, 1961	Prices, 1961		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, July 12, 1961	Price, July 19, 1961	Yield, July 19, 1961	Cover
High	Low							High	Low							
92 1/2	89 1/2	Savings Bonds 3 1/2%	1955-65	90 1/2	90 3/4	4 1/2	4 1/2	94 1/2	65 1/2	7 1/2	BANKS, DISCOUNT & HP		79 1/2	78 3/4	3-32	
100 1/2	99 1/2	Conversion 4 1/2%	1962	99 1/2	99 3/4	3 1/2	3 1/2	100 1/2	74 1/2	8 1/2	Barclays		85 1/2	84 1/2	3-81	
96 1/2	95 1/2	Exchequer 3 1/2%	1962-63	95 1/2	95 3/4	4 1/2	4 1/2	96 1/2	58 1/2	13 1/2	District		61 1/2	61 1/2	3-33	
101 1/2	100 1/2	Treasury 5 1/2%	1962	100 1/2	100 3/4	2 1/2	2 1/2	101 1/2	67 1/2	19 1/2	Lloyds		77 1/2	77 1/2	3-86	
93 1/2	92 1/2	Exchequer 2 1/2%	1963-64	92 1/2	92 3/4	4 1/2	4 1/2	93 1/2	67 1/2	7 1/2	Martins		77 1/2	77 1/2	3-33	
99 1/2	98 1/2	Conversion 4 1/2%	1963	98 1/2	98 3/4	3 1/2	3 1/2	99 1/2	73 1/2	7 1/2	Midland		77 1/2	77 1/2	3-33	
98 1/2	96 1/2	Conversion 4 1/2%	1964	96 1/2	96 3/4	4 1/2	4 1/2	98 1/2	58 1/2	7 1/2	Nat. Provincial		77 1/2	77 1/2	3-33	
101 1/2	97 1/2	Exchequer 5 1/2%	1966	97 1/2	97 3/4	3 1/2	3 1/2	101 1/2	37 1/2	8 1/2	Westminster 'B'		75 1/2	73 1/2	3-97	
83 1/2	80 1/2	Funding 4 1/2%	1959-63	80 1/2	80 3/4	4 1/2	4 1/2	83 1/2	43 1/2	4 1/2	Australia & N.Z.		37 1/2	37 1/2	6-49	
89 1/2	86 1/2	Funding 4 1/2%	1960-63	86 1/2	86 3/4	3 1/2	3 1/2	89 1/2	43 1/2	4 1/2	Bk. Lond. & S. Amer.		44 1/2	44 1/2	4-52	
79 1/2	77 1/2	Savings Bonds 3 1/2%	1960-70	77 1/2	77 3/4	4 1/2	4 1/2	79 1/2	22 1/2	8 1/2	Bank of Montreal		22 1/2	22 1/2	3-03	
84 1/2	82 1/2	Savings Bonds 2 1/2%	1964-67	83 1/2	83 3/4	4 1/2	4 1/2	84 1/2	26 1/2	8 1/2	Bank of New S. Wales		26 1/2	26 1/2	5-43	
72 1/2	68 1/2	Savings Bonds 3 1/2%	1965-75	68 1/2	68 3/4	4 1/2	4 1/2	72 1/2	32 1/2	10 1/2	Barclays D.C.O.		35 1/2	34 1/2	5-80	
83 1/2	81 1/2	Funding 3 1/2%	1966-68	81 1/2	81 3/4	5 1/2	5 1/2	83 1/2	48 1/2	5 1/2	Chartered		54 1/2	51 1/2	5-85	
97 1/2	93 1/2	Victory 4 1/2%	1920-76	96 1/2	96 3/4	3 1/2	3 1/2	97 1/2	50 1/2	7 1/2	Hongkong & Shang.		51 1/2	51 1/2	4-17	
85 1/2	83 1/2	Conversion 3 1/2%	1969	83 1/2	83 3/4	4 1/2	4 1/2	85 1/2	22 1/2	8 1/2	Nat. Com. Bk. Scot.		22 1/2	22 1/2	3-08	
93 1/2	89 1/2	Conversion 5 1/2%	1971	89 1/2	89 3/4	4 1/2	4 1/2	93 1/2	22 1/2	10 1/2	Royal Bk. Canada		22 1/2	22 1/2	2-94	
95 1/2	91 1/2	Conversion 5 1/2%	1974	91 1/2	91 3/4	4 1/2	4 1/2	95 1/2	22 1/2	10 1/2	Royal Bk. of Scotland		22 1/2	22 1/2	8-70	
73 1/2	68 1/2	Treasury 3 1/2%	1977-80	68 1/2	68 3/4	4 1/2	4 1/2	73 1/2	22 1/2	22 1/2	Hambros		130 1/2	125 1/2	3-60	
72 1/2	68 1/2	Treasury 3 1/2%	1979-81	67 1/2	67 3/4	4 1/2	4 1/2	72 1/2	22 1/2	22 1/2	Schroders		72 1/2	70 1/2	2-13	
97 1/2	91 1/2	Funding 5 1/2%	1982-84	91 1/2	91 3/4	3 1/2	3 1/2	97 1/2	22 1/2	6 1/2	Union Discount		49 1/2	48 1/2	5-13	
59 1/2	53 1/2	Redemption 3 1/2%	1986-96	53 1/2	53 3/4	4 1/2	4 1/2	59 1/2	13 1/2	18 1/2	Bowmaker		16 1/2	15 1/2	1-14	
88 1/2	82 1/2	Treasury 5 1/2%	1986-89	82 1/2	82 3/4	4 1/2	4 1/2	88 1/2	16 1/2	9 1/2	Lombard Banking		15 1/2	15 1/2	5-59	
63 1/2	57 1/2	Funding 3 1/2%	1999-2004	57 1/2	57 3/4	4 1/2	4 1/2	63 1/2	21 1/2	7 1/2	Mercantile Credit		15 1/2	15 1/2	4-17	
94 1/2	87 1/2	Treasury 5 1/2%	2008-12	87 1/2	87 3/4	4 1/2	4 1/2	94 1/2	21 1/2	22 1/2	United Domin. Tst.		16 1/2	16 1/2	3-21	
65 1/2	58 1/2	Consols 4 1/2%	after Feb. 1957	58 1/2	58 3/4	4 1/2	4 1/2	65 1/2	15 1/2	4 1/2						
59 1/2	52 1/2	War Loan 3 1/2%	after 1962	52 1/2	52 3/4	4 1/2	4 1/2	59 1/2	13 1/2	5 1/2	BREWERS, Etc.		13 1/2	12 1/2	4-49	
59 1/2	52 1/2	Cons. 3 1/2%	after Apr. 1961	52 1/2	52 3/4	4 1/2	4 1/2	59 1/2	13 1/2	5 1/2	Bass M. & B.		13 1/2	12 1/2	4-49	
50 1/2	45 1/2	Cons. 2 1/2%	after Apr. 1966	45 1/2	45 3/4	4 1/2	4 1/2	50 1/2	13 1/2	5 1/2	Flowers		13 1/2	13 1/2	3-04	
44 1/2	38 1/2	Cons. 2 1/2%	after Apr. 1975	38 1/2	38 3/4	4 1/2	4 1/2	44 1/2	13 1/2	5 1/2	Guinness		13 1/2	13 1/2	4-31	
43 1/2	38 1/2	Treasury 2 1/2%	after Apr. 1975	38 1/2	38 3/4	4 1/2	4 1/2	43 1/2	13 1/2	5 1/2	Ind. Coope. T.A.		13 1/2	13 1/2	4-00	
91 1/2	88 1/2	British Electric 4 1/2%	1967-69	88 1/2	88 3/4	4 1/2	4 1/2	91 1/2	13 1/2	5 1/2	Teacher (Distillers)		13 1/2	13 1/2	4-00	
75 1/2	72 1/2	British Electric 3 1/2%	1968-73	72 1/2	72 3/4	4 1/2	4 1/2	75 1/2	13 1/2	5 1/2	Watney Mann		13 1/2	13 1/2	4-16	
70 1/2	67 1/2	British Electric 3 1/2%	1974-77	67 1/2	67 3/4	4 1/2	4 1/2	70 1/2	13 1/2	5 1/2	Whitbread 'A'		12 1/2	11 1/2	4-58	
79 1/2	76 1/2	British Electric 4 1/2%	1974-79	76 1/2	76 3/4	4 1/2	4 1/2	79 1/2	13 1/2	5 1/2						
73 1/2	69 1/2	British Electric 3 1/2%	1976-79	69 1/2	69 3/4	4 1/2	4 1/2	73 1/2	13 1/2	5 1/2	BUILDING, PAINT, Etc.					
84 1/2	81 1/2	British Gas 4 1/2%	1969-72	81 1/2	81 3/4	4 1/2	4 1/2	84 1/2	13 1/2	5 1/2	Associated Portland		78 1/2	78 1/2	3-18	
81 1/2	79 1/2	British Gas 3 1/2%	1969-75	79 1/2	79 3/4	4 1/2	4 1/2	81 1/2	13 1/2	5 1/2	British Plaster Bd.		22 1/2	22 1/2	5-44	
59 1/2	53 1/2	British Gas 3 1/2%	1990-95	53 1/2	53 3/4	4 1/2	4 1/2	59 1/2	13 1/2	5 1/2	Richard Costain		22 1/2	22 1/2	4-44	
75 1/2	72 1/2	British Transport 3 1/2%	1968-73	72 1/2	72 3/4	4 1/2	4 1/2	75 1/2	13 1/2	5 1/2	Crittall Mfg.		9 1/2	9 1/2	7-89	
80 1/2	76 1/2	British Transport 4 1/2%	1972-77	76 1/2	76 3/4	4 1/2	4 1/2	80 1/2	13 1/2	5 1/2	International Brick		11 1/2	10 1/2	7-62	
61 1/2	56 1/2	British Transport 3 1/2%	1978-88	56 1/2	56 3/4	4 1/2	4 1/2	61 1/2	13 1/2	5 1/2	London Brick		9 1/2	9 1/2	7-62	

NEW YORK PRICES AND INDICES

July 12		July 19		July 12		July 19		July 12		July 19		July 12		July 19	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Atch. Topeka	265 1/2	255 1/2	Boeing	49 1/2	49	Int. Harvester	54 1/2	50	15 1/2	10 1/2	BRIT. Electronic Inds.	57 1/2	56 1/2	4.82	2 1/2
Can. Pacific	234 1/2	228 1/2	Calanese	36 1/2	35 1/2	Inter. Nickel	81 1/2	39 1/2	62 1/2	4 1/2	B.L.C.C.	57 1/2	56 1/2	4.82	2 1/2
Pennsylvania	331 1/2	321 1/2	Chrysler	44 1/2	44	Inter. Paper	30 3/4	30 1/2	14 1/2	11 1/2	Crompton Parkinson	57 1/2	56 1/2	4.82	2 1/2
Union Pacific	334 1/2	335 1/2	Col. Palmolive	45 1/2	44	Kennecott	86 1/2	84 1/2	76 1/2	54 1/2	Decca Record	58 1/2	57 1/2	4.06	2 1/2
Amer. Electric	68 1/2	66 1/2	Crown Zeller	54 1/2	51 1/2	Monstanto	54 1/2	52 1/2	72 1/2	36 1/2	E.M.I.	37 1/2	37 1/2	4.06	2 1/2
Amer. Tel. & Tel.	118 1/2	120 1/2	Distillers Seag	39 1/2	38 1/2	Nat. Distillers	27 1/2	27 1/2	38 1/2	25 1/2	Elliot-Automation	32 1/2	31 1/2	2.06	1 1/2
Cons. Edison	78 1/2	77 1/2	Douglas	33 1/2	31	Pan-American	18 1/2	17 1/2	40 1/2	30 1/2	Ellogg Electric	31 1/2	32 1/2	6.25	2 1/2
Int. Tel. & Tel.	53 1/2	53 1/2	Dow Chemical	78 1/2	78 1/2	Procter Corp.	87 1/2	84 1/2	29 1/2	3 1/2	General Electric	32 1/2	32 1/2	6.15	2 1/2
United Corp.	81 1/2	81 1/2	E. S. Potash	21 1/2	21 1/2	Radio Corp.	59 1/2	56 1/2	76 1/2	36 1/2	G.P. Parsons	54 1/2	53 1/2	4.65	2 1/2
Western Union	44 1/2	42 1/2	East. Kodak	107 1/2	105 1/2	Sears Roebuck	69 1/2	67 1/2	63 1/2	45 1/2	A. Reynolds	40 1/2	40 1/2	4.81	2 1/2
Alcoa	74 1/2	71 1/2	Ford Motor	82 1/2	85 1/2	Shell Oil	40 1/2	41 1/2	20 c	25 c	Thorn Electrical	50 1/2	46 1/2	2.69	4 1/2
Aluminium	32 1/2	31 1/2	Gen. Electric	62 1/2	63 1/2	Standy-Mobil	46 1/2	46 1/2							
Amer. Can.	67 1/2	64 1/2	General Foods	81 1/2	81 1/2	Steel Oil Ind.	51 1/2	49 1/2							
Amer. Smelting	68 1/2	64 1/2	General Motors	43 1/2	45 1/2	Stand. Oil N.J.	43 1/2	40 1/2							
Am. Viscose	56 1/2	56 1/2	Goodyear	37 1/2	35 1/2	Union Carbide	36 1/2	33 1/2							
Anaconda	55 1/2	53 1/2	Gulf Oil	37 1/2	35 1/2	U.S. Steel	81 1/2	80 1/2							
Beth. Steel	40 1/2	40 1/2	Heinz	58 1/2	56 1/2	West. Electric	42 1/2	41 1/2							
			Int. Bus. Mach.	47 1/2	46 1/2	Woodworth	75 1/2	74 1/2							

July 12		July 19		July 12		July 19		July 12		July 19		July 12		July 19	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ENGINEERING															
Babcock & Wilcox	29 1/2	29 1/2	6.18	1											
Bell Brown	36 1/2	35 1/2	6.24	2 1/2											
General Airbus	57 1/2	51 1/2	10.21	1											
Internat. Carbide	57 1/2	51 1/2	5.58	1 1/2											
Rich'd. n. West'g. th.	10 1/2	10 1/2													
Swan Hunter	29 1/2	29 1/2	6.67	2 1/2											
Thorn Thompson	57 1/2	51 1/2	17.72												
Coventry Gauge	10 1/2	10 1/2	4.45	2 1/2											
Herbert	64 1/2	63 1/2	4.41	3 1/2											
Allied Ironfounders	65 1/2	65 1/2	6.11												
AYRES															

Standard and Poor's Indices (1941-43=10)

1961		425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %	108/7's	7/8's	5 a	11 b	Guest Keen Store	24 3/3's	142/6's	3.86	2 1/2's	
										31/-	22/-	4	5	Head Wrightson	5/-	24/9	89 1/2	3.59	2 1/2's
										100/3's	68/3's	4	5	Metal Box	5/-	85/-	88/-	2.73	2 1/2's
											22/6	4	10	Ransome & Jiles	5/-	14/9 1/2	14/9 1/2	4.75	3
										50/6	34/6	3	7	Renold Chains	5/-	14/9 1/2	39/-	5.13	1 3/4's
June 21	68.99	2.92	32.15	5.03	57.94	3.33	89.96	3.89		44/11/2	297/10	10	a	Simon Engineering	5/-	36/9	387/12	3.86	2
" 28	68.40	2.95	31.68	5.10	57.55	3.36	89.75	3.91		85/6	67/-	14	c	Tube Investments	5/-	69/-	697/12	3.86	2
July 5	69.43	2.90	32.38	4.99	58.92	3.28	89.85	3.90		38/41/2	30/-	8		Vickers	5/-	31/11/2	617/12	6.32	1 3/4's
" 12	68.97	2.89	31.91	5.07	59.63	3.24	89.54	3.93		84/6	64/6	11 1/2	b	Ward (Thos. W.)	5/-	72/-	697/12	4.35	3
" 19	68.35	2.95	30.89	5.23	59.03	3.27	89.64	3.92		20/7/2	5	a	22 1/2's	Woodall-Duckham	5/-	61/-	617/12	4.35	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 yields 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.
 (h) After Rhodesian tax. (i) To latest date.

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calendar months.
W = Weekly averages.

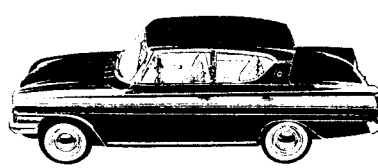
The following list shows the most recent dates on which each statistical page appeared

BRITISH			
Prices and Wages.....	June 24th	External Trade.....	July 1st
Manpower and Output....	This week	Industrial Profits.....	July 15th
OVERSEAS			
Western Europe.....	June 10th	United States.....	July 8th

Unit	Mid-year or averages			1960			1961				
	1958	1959	1960	April	May	June	Feb.	Mar.	April	May	June
TOTAL MANPOWER											
Working population:											
Total.....	24,070	24,145	24,436	24,327	24,394	24,436	24,521	24,517	24,547	24,558	...
Men.....	16,160	16,137	16,239	16,196	16,229	16,239	16,288	16,284	16,285	16,282	...
Women.....	7,910	8,008	8,197	8,131	8,165	8,197	8,233	8,233	8,262	8,276	...
Armed Forces.....	614	565	518	521	521	518	494	485	479	478	...
Civil employment:											
Total.....	23,080	23,197	23,628	23,451	23,559	23,628	23,695	23,710	23,768	23,809	...
Manufacturing industries (1).....	8,477	8,811	8,768	8,768	8,794	8,811	8,903	8,894	8,916	8,913	...
Manufacturing industries (old basis) (1).....	9,147	9,169	...	...	...	...	...	...	...	...	...
Employees (1):											
in engineering (2).....	...	3,544	3,732	3,725	3,730	3,732	3,787	3,785	3,797	...	...
in consumer goods industries (2).....	...	3,102	3,183	3,135	3,171	3,183	3,170	3,162	3,168	...	...
UNEMPLOYMENT											
By duration:											
All durations—total.....	457.4	475.2	360.4	391.2	341.2	305.1	389.7	350.8	340.1	299.3	265.9 ¹³
Temporary or under 2 weeks.....	141.0	120.8	89.8	90.3	73.2	66.2	119.9	99.8	92.2	77.2	67.8
Over 8 weeks.....	197.7	243.4	187.6	222.1	198.3	172.1	180.8	174.3	171.8	158.2	140.1
By regions (4):											
Great Britain.....	2.1	2.2	1.6	1.8	1.5	1.4	1.7	1.6	1.5	1.3	1.2 ¹⁴
London and South Eastern.....	1.3	1.3	0.9	1.0	0.9	0.8	1.1	1.0	1.0	0.9	0.8
Eastern.....	1.7	1.5	1.3	1.4	1.1	0.9	1.6	1.2	1.2	0.9	0.8
Southern (5).....	1.6	1.5	1.0	0.9	0.7	0.7	1.8	1.5	1.3	0.9	0.8
South Western (5).....	2.2	2.2	1.7	1.9	1.5	1.3	1.7	1.6	1.4	1.2	1.1
Midland.....	1.6	1.5	1.0	0.9	0.7	0.7	1.8	1.5	1.3	0.9	0.8
North Midland.....	1.6	1.5	1.1	1.2	1.0	0.9	1.3	1.2	1.0	0.9	0.8
East and West Ridings.....	1.9	1.9	1.2	1.3	1.1	1.0	1.0	1.0	1.0	0.9	0.8
North Western.....	2.7	2.8	1.9	2.2	2.0	1.8	1.7	1.6	1.7	1.5	1.4
Northern.....	2.4	3.3	2.8	3.0	2.8	2.5	2.6	2.4	2.4	2.3	2.0
Scotland.....	3.8	4.4	3.6	4.0	3.5	3.2	3.5	3.3	3.2	3.0	2.8
Wales.....	3.8	3.8	2.7	2.9	2.5	2.3	2.9	2.6	2.5	2.2	2.1
VACANCIES											
Unfilled vacancies notified to Employment Exchanges: Total.....	198	224	314	306	327	361	290	314	337	354	383 ¹⁵
INDUSTRIAL PRODUCTION											
Index: 1954=100	106	113	120	120	125	119	125	125	123	...	...
All industries.....	106	113	120	120	125	119	125	125	123	...	...
Seasonally adjusted.....	94	92	89	88	95	88	91	89	88	...	...
Mining and quarrying.....	95	111	118	117	117	117	121	116	113	...	...
Construction.....	105	123	133	127	119	111	156	146	133	...	...
Gas, electricity and water.....	107	114	123	123	129	123	126	123	125	...	...
Manufacturing, total.....	111	118	127	123	124	123	123	123	124	...	...
Seasonally adjusted.....	109	101	92	92	92	93	94	94	94	...	...
Engineering and electrical goods.....	118	131	139	148	158	144	140	140	140	...	...
Shipbuilding.....	115	131	145	146	150	144	155	154	151	...	...
Vehicles.....	91	98	102	101	105	96	106	109	103	...	...
Chemical trades.....	...	...	...	...	...	...	...	...	...	...	...
Textiles, leather and clothing.....	...	...	...	...	...	...	...	...	...	...	...
BASIC MATERIALS											
Production of:											
Coal (7) (8).....	4,150	3,963	3,725	3,665	3,988	3,628	3,849	3,763	3,679	3,630	3,792
Pig iron.....	245	242	303	311	299	295	302	313	308	300	297
Steel, ingots and castings.....	369	388	467	478	475	466	485	471	472	466	448
Sulphuric acid.....	186.8	202.3	225.1	221.8	215.4	217.0	210.2	242.0	218.8	...	...
Newsprint.....	11.81	12.87	14.25	14.10	15.48	15.59	14.39	15.06	14.34	...	...
Electricity (7) (11).....	8,208	8,764	9,904	9,155	8,781	7,782	11,033	11,236	9,835	9,697	...
MANUFACTURING											
Textile production:											
Cotton yarn, single.....	14.77	14.58	14.44	14.02	15.65	13.25	14.47	14.28	14.33	14.34	...
Worsted yarn (12).....	17.18	19.34	20.40	18.81	21.30	19.29	20.23	22.89	19.20	21.10	...
Rayon and synthetic fibres.....	35.18	42.89	49.33	49.29	51.99	48.34	43.13	47.53	42.18	46.0	...
Cotton cloth, woven.....	27.0	25.7	24.9	24.9	26.5	24.9	25.2	25.4	25.7	25.3	...
Wool fabrics, woven (12).....	29.1	30.4	30.6	25.9	30.4	29.5	28.4	31.7	24.6	29.4	...
Engineering production:											
Passenger cars and chassis.....	19.84	22.88	26.01	30.17	34.13	29.62	15.11	19.56	19.35	22.58	...
Commercial vehicles and chassis.....	5.90	7.13	8.81	8.60	9.48	9.68	10.03	9.27	9.41	9.70	...
Internal combustion engines (12).....	378	468	577	574	606	592	586	737	...	...	...
Metal-working machine tools (12).....	6,993	6,564	7,911	6,435	7,107	7,520	9,574	11,158	9,358	...	...
BUILDING ACTIVITY (10)											
Permanent houses completed:											
Total.....	20.13	20.78	22.44	22.37	22.99	24.31	20.42	22.97	21.12	22.78	...
For local housing authorities.....	9.43	8.29	8.60	8.27	9.14	9.44	6.95	8.98	7.14	7.72	...

(1) Current statistics of employment by industry, based on the 1958 Standard Industrial Classification, go back only to May, 1959. Manufacturing employment for earlier dates is shown on the old basis (1948 SIC). (2) Engineering and electrical goods, shipbuilding and marine engineering, vehicles, metal goods. (3) Textiles, leather goods, clothing, food, drink and tobacco, timber, furniture, paper, printing and publishing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) Dorset (excluding Poole) was transferred from the Southern to the South Western Region on May 12, 1958. (6) Average for first quarter. (7) Great Britain. (8) Excluding all screening losses normally amounting to around 5,000 tons a week. (9) Average for second quarter. (10) England and Wales. (11) Generation for public supply. (12) Deliveries. (13) July 25th. (14) July 1st. (15) July 3rd.

APPOINTMENTS



MODERN MANAGEMENT TECHNIQUES

OPPORTUNITIES FOR ACCOUNTANTS AND ECONOMISTS UNDER 30

The modern techniques employed by the finance staffs of Ford Motor Company Limited range from broad studies of economic affairs through complex financial analysis to systematic cost controls and mechanised accounting. A number of vacancies at different levels and on widely differing work are available in these staffs for men under the age of 30 with a university degree or professional qualification. These positions require ability and provide exceptional background for progress into senior management positions. Applicants are invited to send brief particulars (marking envelope CC/109E) to

H. G. PEARMAN

TRAINING AND RECRUITMENT DEPARTMENT

FORD MOTOR COMPANY LTD., DAGENHAM, ESSEX

AGRICULTURAL ECONOMISTS (one main grade, one Assistant, two main grade or Assistant) in Ministry of Agriculture, Fisheries and Food. Pensionable posts in London for men and women. Age on June 1, 1961, at least 21 (main grade) or 20 (Assistant) and not more than 35. Qualifications: an Honours Degree either in Maths with a Diploma in Statistics or B.Sc. (Statistics) or B.Sc. (Econ.) with Statistics or Computational Methods in Part II. Applications from those who have graduated this summer will be considered. Salary: £175 to £1,700 (the point of entry will depend on age, qualifications and experience). Five-day week; three/four weeks' leave per year (this year's holiday arrangements honours), non-contributory pension scheme.—Please write, stating age, education and experience, to Personnel Manager, Park Royal Brewery, N.W.10.

ARTHUR GUINNESS SON AND CO. (PARK ROYAL) LTD. require a Statistician for their Statistical Department at Park Royal. Qualifications: an Honours Degree either in Maths with a Diploma in Statistics or B.Sc. (Statistics) or B.Sc. (Econ.) with Statistics or Computational Methods in Part II. Applications from those who have graduated this summer will be considered. Salary: £175 to £1,700 (the point of entry will depend on age, qualifications and experience). Five-day week; three/four weeks' leave per year (this year's holiday arrangements honours), non-contributory pension scheme.—Please write, stating age, education and experience, to Personnel Manager, Park Royal Brewery, N.W.10.

THE METAL BOX COMPANY LIMITED

requires an

INFORMATION OFFICER

to take charge of its Commercial Information Service and Library at Head Office, Baker Street, London, W.1. The work covers all aspects of packaging and its user industries. Previous experience an advantage.

Apply to Head of Staff Division, THE METAL BOX COMPANY LIMITED, 37 Baker Street, London, W.1, quoting reference ISX/1.

UNIVERSITY OF ST. ANDREWS

Applications are invited for the post of LECTURER IN POLITICAL ECONOMY in St. Salvator's College, St. Andrews. Preference will be given to particular qualification in the teaching of welfare theory and social economics. Salary scale £1,050-£1,850; starting salary according to qualifications and experience. F.S.S.U. family allowance; grant towards expenses of furniture removal. Six copies of applications, with the names of three referees, should be lodged by August 19, 1961, with the Secretary of the University Court, College Gate, St. Andrews, from whom further particulars may be obtained.

FIRCROFT COLLEGE

SELY OAK, BIRMINGHAM 29 Applications are invited for the post of Resident Tutor. Fircroft provides one-year residential courses in liberal studies for working-men. The applicant should be qualified by his degree and experience to lecture in the range of ECONOMICS, POLITICS, TRADE UNION STUDIES or INDUSTRIAL RELATIONS and to undertake individual tutorial work. Salary on University scales: £800 by £50 to £1,050 by £50 to £1,400. Only bachelor accommodation available. Further particulars from the Warden.

CITY AND COUNTY OF NEWCASTLE UPON TYNE CITY PLANNING DEPARTMENT

PLANNING ASSISTANTS, Grade A.P.T. 1 (E045-EM15 P.A.) Two vacancies exist for research workers in the Research Group of the Policy Division of the Department. A wide range of basic and specialist research projects are included in the programme which should interest young graduates with initiative and an interest in physical, social and economic problems. Preference will be given to graduates in economics, geography, statistics or sociology. The appointments are subject to the National Scheme of Conditions of Service, the Local Government Superannuation Acts and the passing of a medical examination. Applications, stating age, qualifications and experience, together with the names of two referees, to reach the City Planning Officer, 2 St. Nicholas Buildings, Newcastle upon Tyne, 1, by Thursday, July 27, 1961. JOHN ATKINSON, Town Clerk.

PHILIPS ELECTRICAL INDUSTRIES LTD.

have a vacancy for an

ACCOUNTANT

as a **SENIOR DEPARTMENTAL ASSISTANT**

The requirement is for a man aged about 30, at or about A.C.C.A. qualification. Experience in financial budgeting, the analysis of company balance sheets and methods of company finance would be essential, and the post calls for the ability to write concise reports. A knowledge of the fundamental principles of Dominion taxation and of costing would also be advantageous. This pensionable post offers interesting and varied duties, and will carry good conditions of employment.

Please apply in writing, with details of experience and qualifications, to: Personnel Officer (D/743/4), Philips Electrical Industries Ltd., Century House, Shaftesbury Avenue, London, W.C.2.

THE SCOTSMAN requires a young

FINANCIAL REPORTER

who will join their City Office in London after an initial six months' training in Edinburgh. He must have a sound, basic knowledge of finance and commerce and must be able to report on Company affairs, stock market trends, etc. Applications to Production Editor, North Bridge, Edinburgh.

BIRMINGHAM CHAMBER OF COMMERCE

Applications are invited for the post of male Assistant to the Secretary. Age group 21-30. Personality, tact, educational background and ability to write clearly and to express ideas well are important. Preference will be given to graduates in arts, commerce, economics or law, or to persons with professional qualifications. Good prospects for promotion. Contributory pension scheme. Applicants should mark "Confidential" giving full personal details and salary required should be sent to the Secretary, Birmingham Chamber of Commerce, P.O. Box 366, 75 Colborne Road, Birmingham 15. Applications should be received by 28th July.

THE MILK MARKETING BOARD

I invite applications for the appointment of Assistant in the Statistics and Surveys Department of its Production Division. This department is concerned with the study of factors governing milk production, feeding practices, cattle population trends, etc. Applicants should recently have graduated in agricultural science or economics. The commencing salary will be according to qualifications and experience, and there are excellent prospects for the future. The appointment is permanent and pensionable after a probationary period. Application forms from the Personnel Officer, Milk Marketing Board, Thames Ditton, Surrey.

BUCKINGHAMSHIRE EDUCATION

SLOUGH COLLEGE OF FURTHER EDUCATION

Principal: R. Edgar, M.Sc., M.A. **DEPARTMENT OF MANAGEMENT, COMMERCE AND GENERAL EDUCATION** Applications are invited for the post of Lecturer to teach Economics and Statistics up to and including Final Professional level. Candidates should be suitably qualified by experience in teaching and industry or Commerce would be an advantage. Salary on the Burnham Technical scale for Lecturers: £1,370 to £35 to £1,550. Application forms and further particulars may be obtained from the Principal, College of Further Education, William Street, Slough, Bucks., to whom completed forms should be returned within fourteen days of the appearance of the advertisement.

ECONOMIST

Young Economics Graduate required by Turner Brothers Asbestos Co. Ltd., Rochdale, manufacturers of asbestos and glass textiles, belting and specialised products, to assist in market research, sales analysis and economic intelligence work. The position will provide an excellent opening for someone intending to make a career in industrial market research and it could also be the avenue to wider opportunities for the man who makes a success of it. Applicants who are interested in this permanent and well-paid career should send full details to the Chief Personnel Manager, Turner Brothers Asbestos Co. Ltd., Rochdale.

GOVERNMENT OF HONG KONG

A Statistician (Special Duties) is required in the Commerce and Industry Department, Hong Kong. Candidates, preferably under 35, should possess an Honours Degree in Economics (with Statistics as one of the subjects taken). Previous experience in the

CADBURY'S

Seek applicants for the senior post in their Consumer Research Department at Bournville. A man in the age range 25-35, experienced in Market Research, and preferably with a degree in economics and a working knowledge of statistics, is required to carry out social and economic research relevant to the Company's affairs. Through his Department he will handle a wide variety of consumer research enquiries; initiate consumer surveys both qualitative and quantitative with Agencies, follow the progress of such surveys to the report stage and interpret results and present them to policy making bodies. He will direct general economic research; supervise a small team of investigators; and himself undertake occasional pilot enquiries in the field. Applicants, who should state age, experience in this field and present salary, should write to:

Personnel Manager,
Cadbury Brothers Ltd.,
Bournville, Birmingham, 30.

TRANSLATOR FROM AND INTO FRENCH/ENGLISH

Applications are invited for post with the Air Ministry as Civilian Translator from and into French, at Fontainebleau, France, for a period of three years in the first instance.

Candidates should be British subjects by birth and should have at least a 2nd class honours degree in French but exceptional applications may be considered from candidates without this academic qualification if they are able to show that they possess the required command of French and English.

Both male and female candidates may apply. Commencing salary £788 p.a. (at age 25 or over) on scale £618 at age 21 to £1,184 p.a. plus Foreign Service and Rent Allowances. Application Forms from: Manager (PH.2378), Ministry of Labour, Professional & Executive Register, Atlantic House, Farnborough Street, London, E.C.4.

THE National Federation of Housing Societies (reconstituted under the Housing Act, 1957, as the central organisation for non-profit housing), is expanding its organisation to launch and direct a national campaign for providing both family housing and housing suitable for old people through Housing Associations and Co-partnerships.

Applications are invited for the newly created post of Director at the Federation's office in central London. Appointment initially for three years. Age 40-55. Salary of the order of £3,000 according to qualifications. Experience of housing association work an advantage but not essential. Applications should be obtained before July 31st from the Secretary to the Federation, 12 Suffolk Street, S.W.1.

MARKET SURVEY AND PRODUCT RESEARCH

A vacancy exists for a man with first-class training and experience to be responsible for the market survey and product research activities of a major Company in the motor industry in the Midlands.

Applicants must be technically qualified and it is desirable that they should possess sound Sales or Commercial experience.

It is desired to appoint a man within the age limits 35/45 to this important position and the salary associated is up to £2,250 per annum.

Letters of application, which will be treated in the strictest confidence, should give full details of age, training, experience and present salary.—Write, Box No. 1533.

AN Agricultural Economist is required to undertake a Survey of Peasant Farm Economics for the Government of British Honduras. The purpose of the survey would be to provide detailed knowledge of specific crop economics and the economics of the small-holder, which is needed to plan agriculture and crop policies.

The project would probably take up to two years' field work plus a writing-up period of six months. Further particulars may be obtained from the Secretary, Colonial Economic Research Committee, Room S.608, Colonial Office, Green Smith Street, London, S.W.1, reference R.T.S. B.284.

CITY AND COUNTY OF NEWCASTLE UPON TYNE CITY PLANNING DEPARTMENT

Applications are invited from suitably qualified candidates for the following appointment:

ASSISTANT PLANNING OFFICER, Grade A.P.T. IV (£1,130-£1,310 p.a.). Design experience an advantage.

The appointment is subject to the National Scheme of Conditions of Service, Local Government Superannuation Acts, and the passing of a medical examination.

Applications, stating age, qualifications, experience, present and past appointments and salaries, together with names of two referees, to reach the City Planning Officer, 2 St. Nicholas Buildings, Newcastle upon Tyne 1, by Thursday, July 27, 1961.

JOHN ATKINSON,
Town Clerk,
Town Hall, Newcastle upon Tyne,
July 12, 1961.

ECONOMIC ANALYST

IBM UNITED KINGDOM LIMITED requires an assistant in their Economic Analyst's Department.

Minimum requirements are an Honours Degree in Economics and three years' experience in an economic research organisation or similar department of a business concern. A firm grasp of statistics is essential.

The department advises the United Kingdom Company on all aspects of economics affecting its environment and operations. Close liaison is maintained with economists of associated companies on the Continent and in the United States of America and the department co-operates in their work programme.

A man keen to work hard and intelligently, largely on his own initiative, can make an effective contribution to this international team of economists.

Applicants, stating age, education and previous experience, should apply to the Personnel Manager,
101 Wigmore Street, London, W.1,
quoting Ref. GA/EC/411.

THE DEPARTMENT OF LIBERAL AND SOCIAL STUDIES KUMASI COLLEGE OF TECHNOLOGY GHANA

Applications are invited for the post of LECTURER IN ECONOMICS. The Lecturer to be appointed will be required to teach Economics up to General Degree Standard and to contribute to the development of a broad scheme of Liberal Studies to be offered to technological students.

Contract appointments are normally for five years and may be renewed. Three months' notice of resignation of an appointment is required on either side.

THE CONTRACT SALARY SCALE (under review):
£1,063 (55% x £57) to £1,868 (55%
Point of entry to the scale is related to previous experience.

In addition children's allowances are paid up to a maximum of three, and a gratuity at the end of the contract period at the rate of £150 for each year of satisfactory service.

The College is a fully residential and members of staff are housed in pleasant modern bungalows on the spacious campus; climate and living conditions are good. An Information Brochure may be obtained from the Assistant Registrar, Kumasi College of Technology, 29 Tavistock Square, London, W.C.1, who will be glad to answer any questions about this appointment.

BBC requires Producer (British) in its Pacific Service, which is a small production team creating spoken word programmes rebroadcast in Australia and New Zealand by both public service and commercial radio stations. Emphasis is on topicality, and output includes talks, magazine-programmes of sport and actuality, and discussions and interviews on current ideas. Candidates should have sound education, ability to handle wide range of ideas and people, lively appreciation of aspects of modern Britain, interest in the developing Commonwealth, knowledge or experience relevant to presentation of current opinion to Australia and New Zealand. Dictation acceptable to overseas ears an advantage. Salary £1,780 p.a. max.—Requests for application forms (enclosing addressed envelope and quoting reference G1.G.328 Ect.) should reach Appointment Officer, Broadcasting House, London, W.1, within five days.

THE CO-OPERATIVE PARTY invites applications for the post of RESEARCH OFFICER: salary £975-£1,115; superannuation scheme; knowledge of the Co-operative movement essential. Application forms from the Co-operative Party, 54 Victoria Street, London, S.W.1, not later than August 3.

THE UNIVERSITY OF SHEFFIELD Applications are invited from candidates with special interest in industrial economics and/or problems of business management for a RESEARCH / TEACHING FELLOW from APPLIED ECONOMICS. Duties to begin October 1, 1961, or as soon as possible thereafter. Initial salary according to qualifications and experience in the range £750-£1,000 with F.S.S.U. provision and family allowance. A grant towards removal expenses will be made. Further particulars may be obtained from the Registrar to whom applications (four copies) and the names and addresses of three referees should be sent by August 19, 1961.

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Full details of the position and information regarding the University of Canterbury and its Department of Economics will then be sent to those whose applications would be welcomed.

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Registrar, Durham University Office, 15, Kensington Terrace, Newcastle upon Tyne 2, 15th July, 1961.

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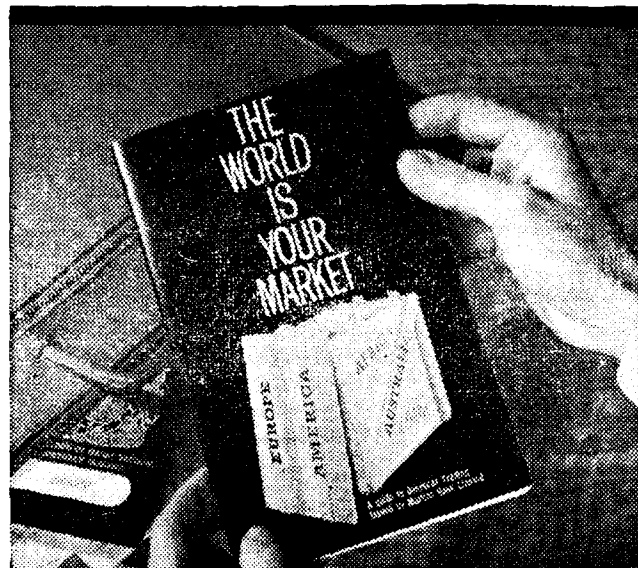
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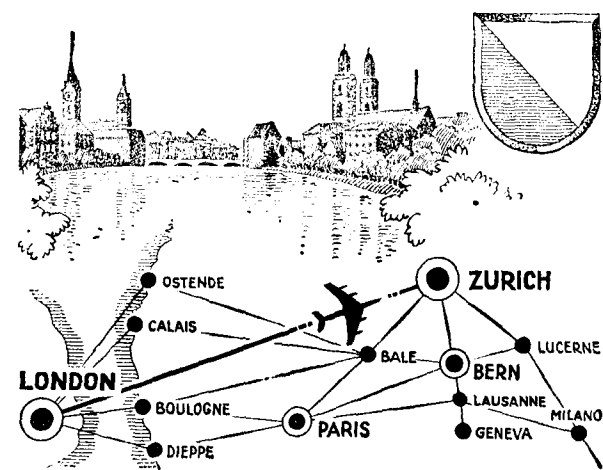
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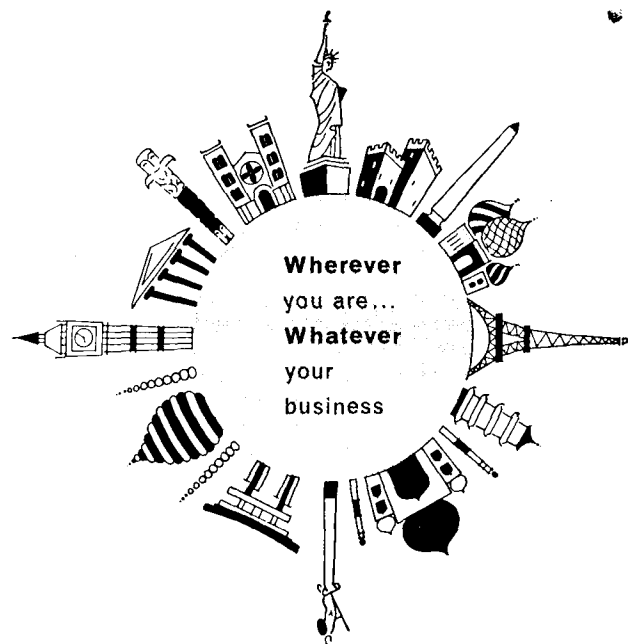
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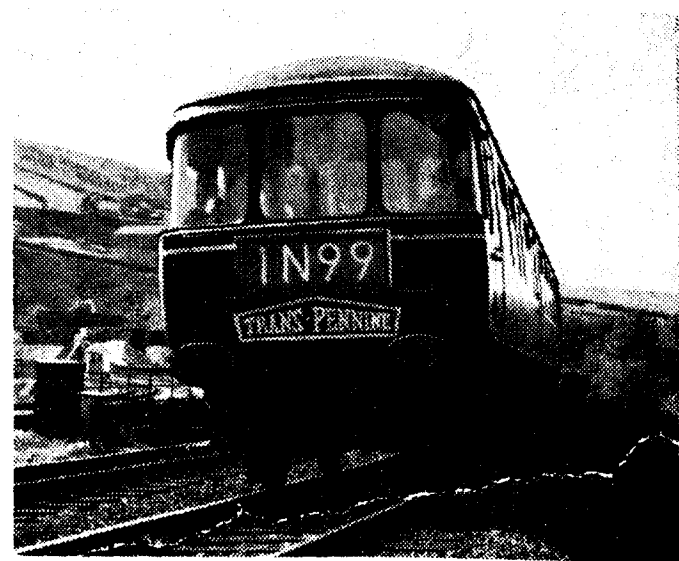
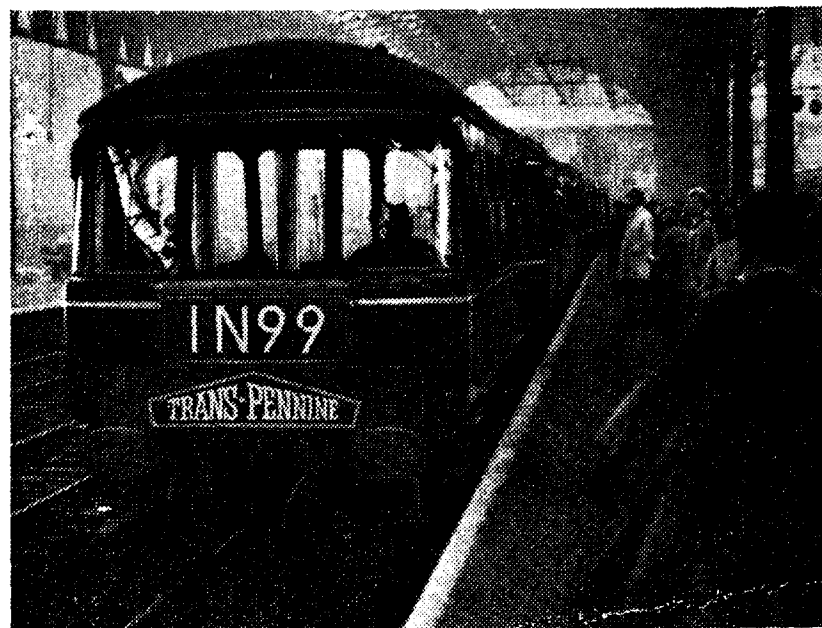
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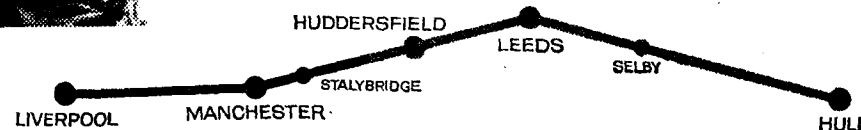
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In The Economist this Week

July 29, 1961

INTERNATIONAL

COUNT-DOWN ?

President Kennedy's firm but unprovocative speech on Berlin has given a lead which Americans are ready to support (p. 451).

The President is searching for a third course between retreat and nuclear war (p. 438).

• In Britain, the Ministry of Defence seems to be marching on a third course between the Foreign Office and the Treasury (p. 438).

ON THE PAD

Once Britain and the European common market have made up their minds about one another, it will be time for launching the idea of Atlantic union—a thought that might give cheer to the Commonwealth (p. 435).

• The British Government is on the point of announcing its intentions about the common market (p. 439).

• The work of the "Eurocrats" who serve the European Economic Community is described (p. 449).

BLAST-OFF

Bizerta: Mr Bourguiba's precipitation of the clash is to be deplored but, even so, Bizerta is not worth the destruction of the remaining hopes of a peaceful Maghreb friendly to the West (p. 434).

Tunis: Bourguibism—moderation, friendliness towards France and the West, fiery oratory, and skilful bargaining—may be one of the casualties of the battle of Bizerta (p. 448).

Morocco: American bases may seem to be too high a price for Moroccan politicians to pay for getting as much aid as all the rest of Africa put together (p. 447).

Angola: Portugal's foothold on the west coast of Africa looks less secure than ever (p. 444).

REFUELLING

US Aid: The long-term authority for development loans, which is the heart of this year's foreign aid Bill in Washington, has surmounted its first hurdle. But stiffer ones will follow (p. 452).

Washington: For the time being the American budget may seem to be slipping out of control, but the Treasury's recent refinancing shows that it is solving its problems in managing the debt (p. 454).

UK Aid: British economic difficulties have hit plans to give Tanganyika a much needed £12 million (p. 444).

Rhodesia: White voters in Southern Rhodesia have decided to feed 15 Africans into the colony's previously all-white parliament (p. 440).

• But the referendum campaign has injected more bitter racial feeling into Southern Rhodesia (p. 446).

Space Note: Builders in Chicago—including one British firm—are tapping one kind of space in which the country's railway capital is unusually rich—the "air rights" over stations and the permanent way (p. 445).

HOME

SURGERY

Mr Selwyn Lloyd's harsh surgery is not as crude as some have been saying: if the patient can weather the post-operative shocks—and if the surgeon can keep his nerve—a good recovery may be hoped for (p. 431).

WHERE THE KNIFE WAS USED (pp. 467-471)

The TUC has taken a lancet to the swollen effrontery of the ETU's executive, and may heal itself in the process (p. 440).

The amputation of English teachers' hopes for a larger pay rise might have been more drastic but for the recent award to their Scottish colleagues (p. 439).

Labour's plan for building land purchase has atrophied, and will have to be quietly excised (p. 443).

THERAPY

Mr Gaitskell's stay at the Labour Party conference at Blackpool could be something of a rest-cure (p. 443).

The healthy revulsion of the public and the local council is the good blown in by the ill wind of Smethwick's colour-conscious council tenants (p. 444).

REMEDY

The Postmaster General's medicine has not altogether cured the Post Office's ills (p. 473).

England's provincial theatre is in a parlous state: an Arts Council report explores means of reviving it (p. 457).

A breakthrough in research has brought a vaccine for the common cold nearer—but hopes should not be too high (p. 445).

MALADY

Tory members' reception of the Chancellor's measures has not been rapturous; but the party is far from rupture, and its unity could be strengthened by the crisis (p. 439).

Merseyside is suffering a congestion of the tunnel, and will need to resolve conflicts of prescription to arrive at a cure (p. 458).

The fevered spending in some (but by no means all) shops just prior to the Chancellor's cuts may give way to lassitude or coma in months to come (p. 457).

MIDWIFERY

The boom in Britain's birthrate is the major factor in the breakdown of official population forecasts (p. 437).

Detailed contents on page 431



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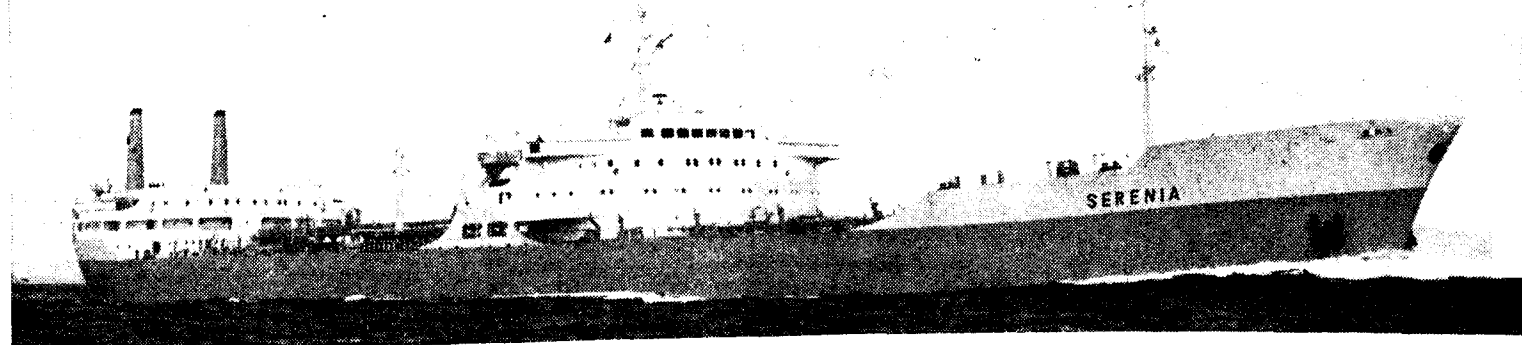


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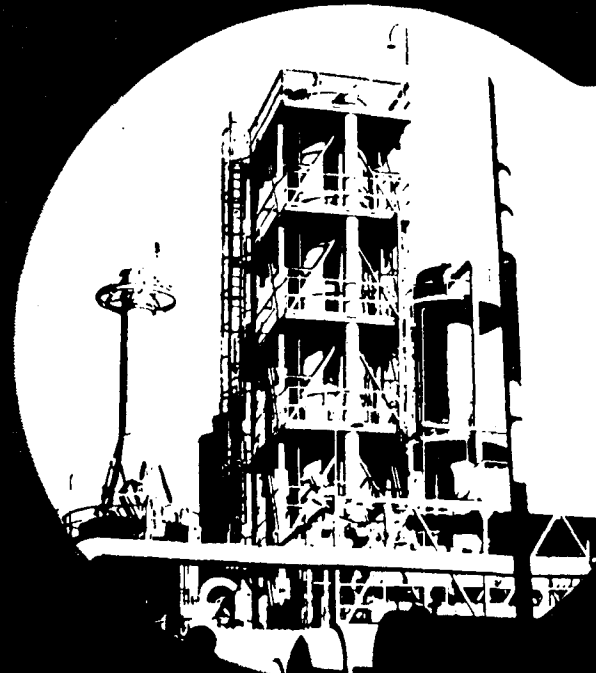
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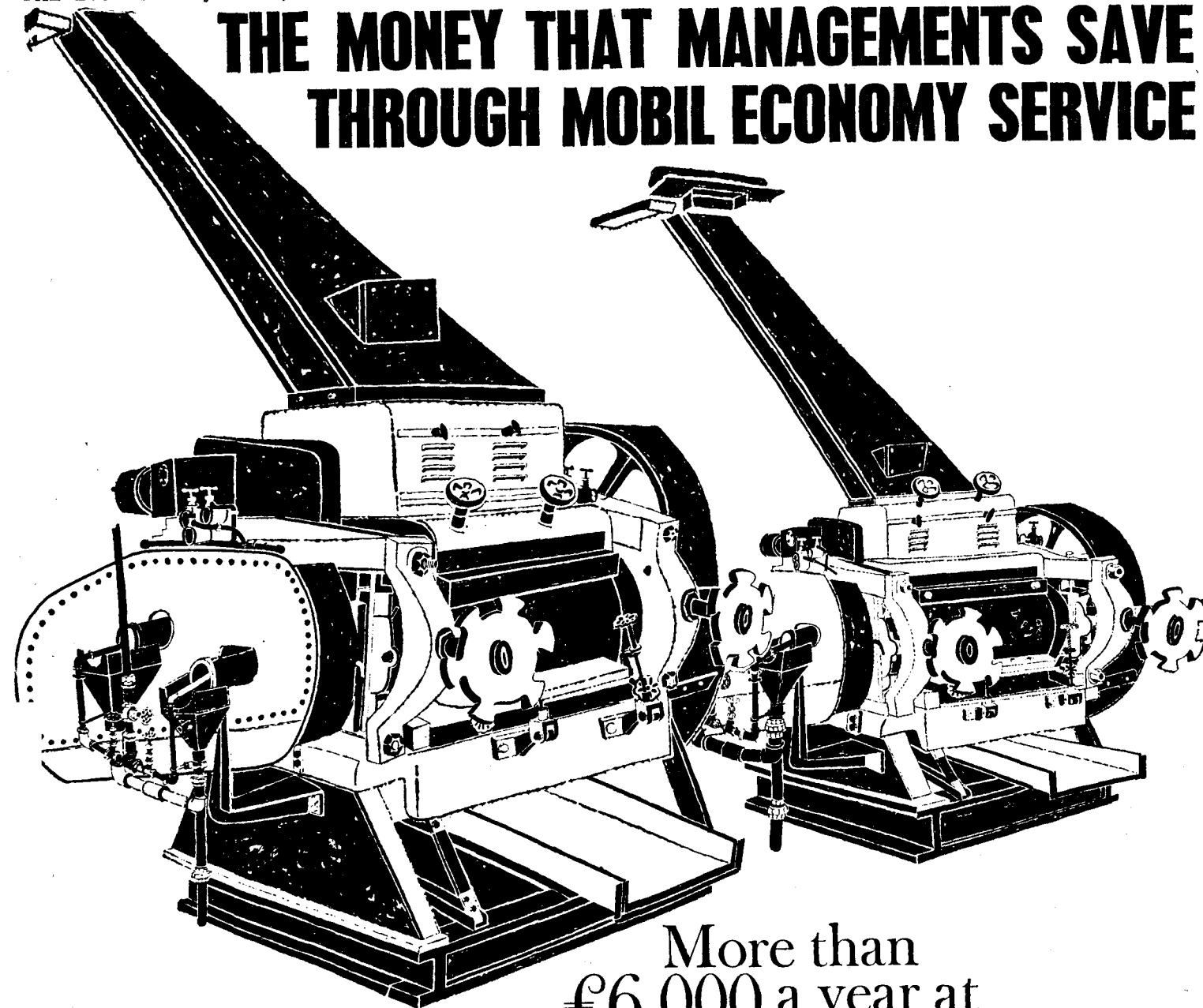
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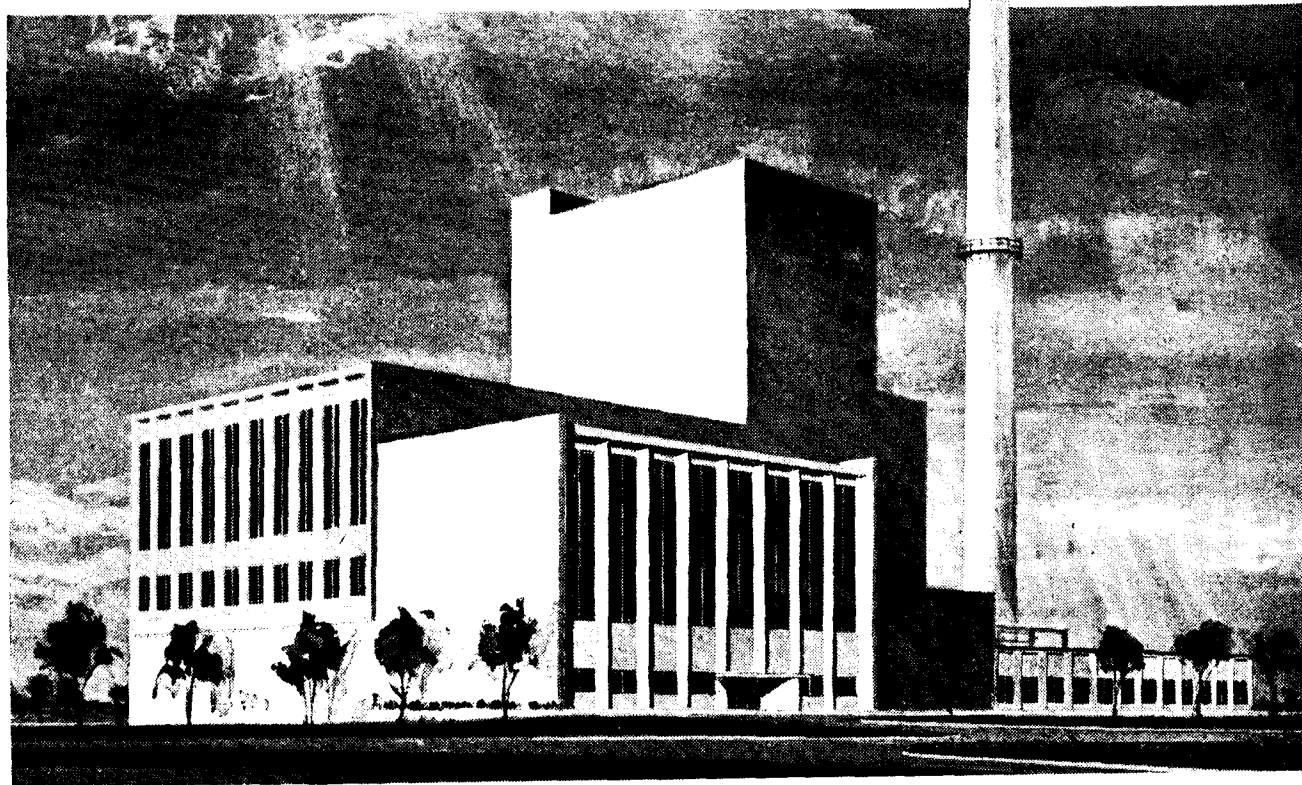
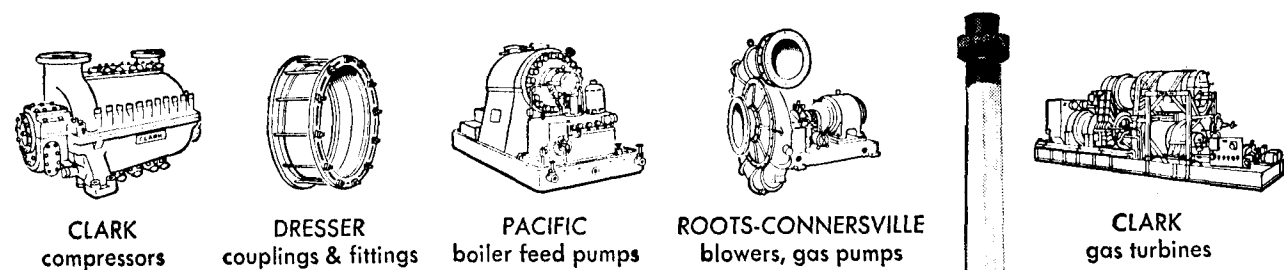
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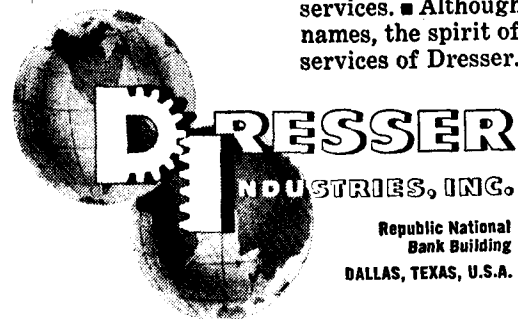


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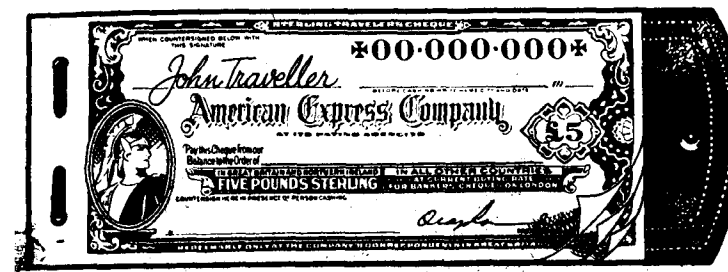
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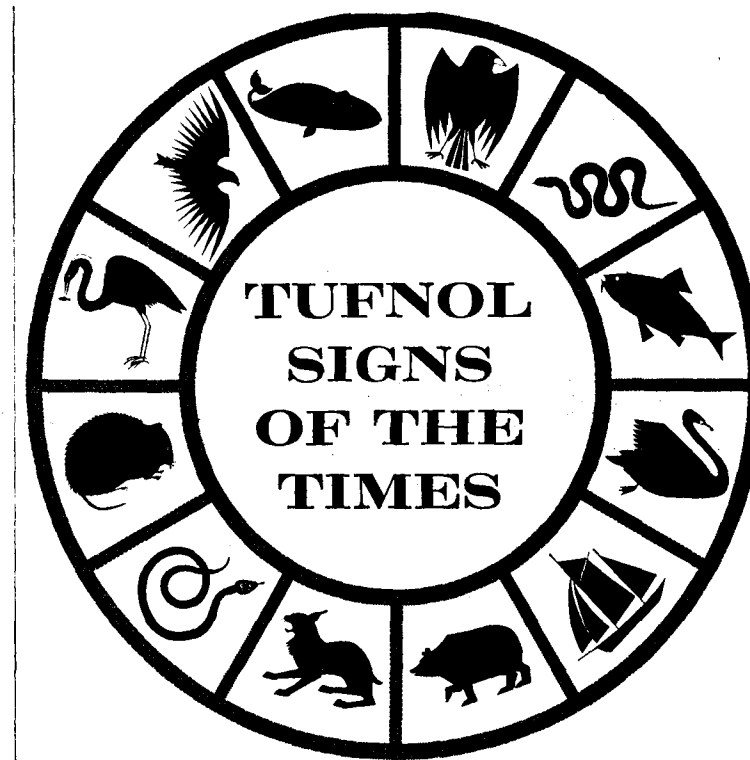


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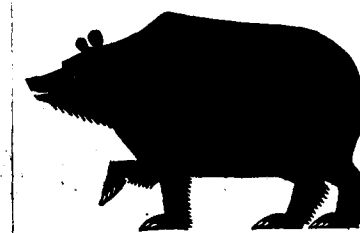
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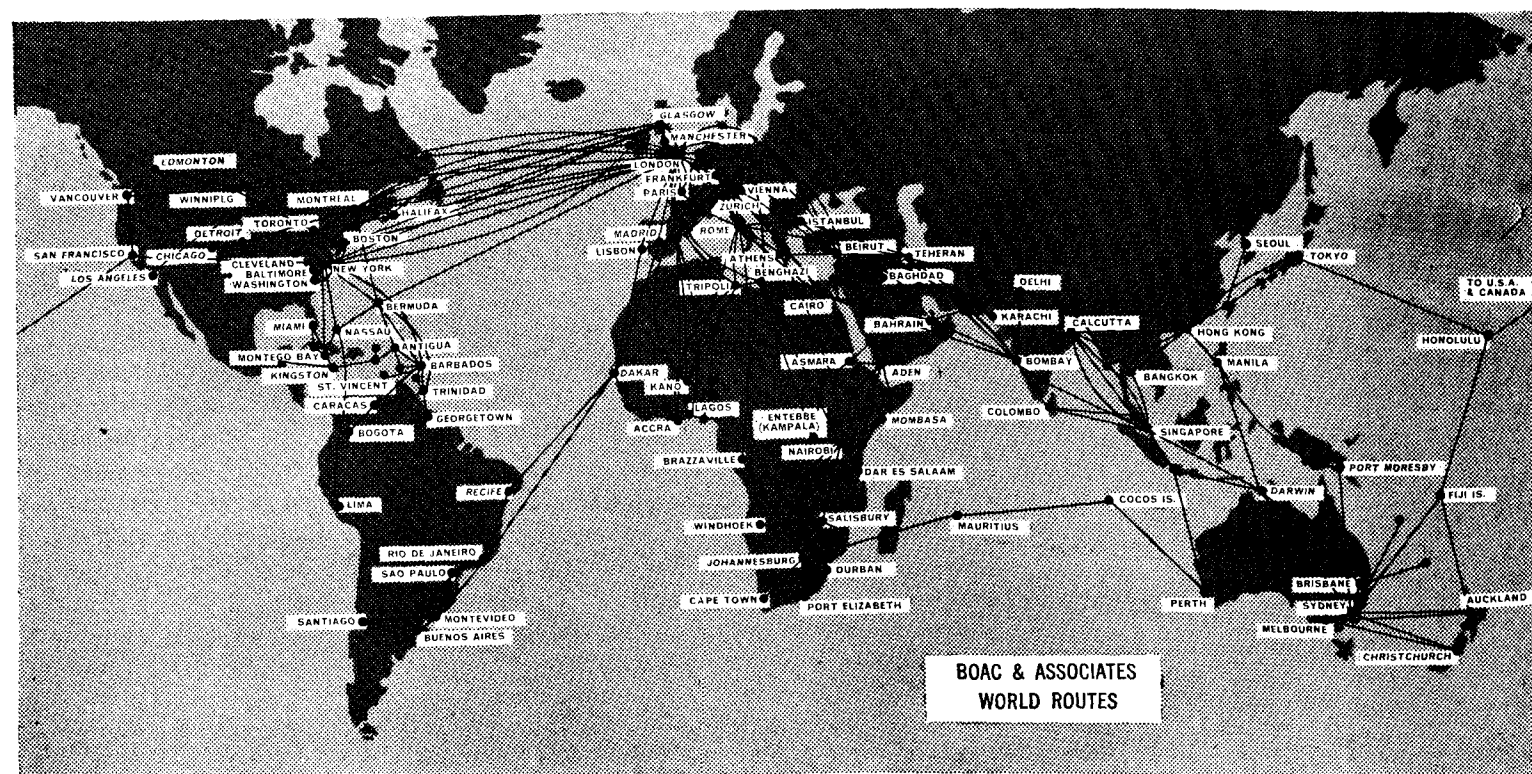
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JULY 29, 1961

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The Great Deflation

MR SELWYN LLOYD's statement of measures on Tuesday was much more sensible than most of the minatory noises that he and his colleagues had made before it. It also looks a good deal more radical than many people have so far credited. The Chancellor seems to have made a very sharp step indeed in the direction of short-term deflation, and has intimated that this is meant to prepare the way for a major (though much vaguer) change in the Government's methods of long-term economic management. The questions to be asked this weekend are whether his short-term cuts have gone too far, and whether his new long-term policy will be translated from rather mottled words into enduring action.

Because most of his immediate cuts have been familiar in their manner, there has been some tendency to underestimate how tough they may prove to be in extent. The main key to them is the 7 per cent Bank rate. This is certainly the right first key to have turned; indeed everything that the Chancellor said on Tuesday confirms one's belief that it should have been turned several weeks ago. The deficit on Britain's current balance of payments is now "substantially" lower than a year ago, but a flight of short-term capital has turned last year's rise in the reserves into this year's substantial fall; this is the classic situation in which interest rates need to be raised to attract short-term capital back to Britain. But on top of its orthodox, though quite stringent, two per cent rise in Bank rate, the Bank of England has also called for more special deposits from a banking system that is already very short of funds for commercial lending. The consequent squeeze on credit looks as if it could be severer than anything known since the war. And on top of all this the Chancellor has raised all indirect tax rates by 10 per cent, which he estimates should "withdraw purchasing power from the economy at the rate of £210 million per year." In previous crises there has been lengthy discussion whether the Government should use mainly monetary or mainly fiscal policy; this time Mr Lloyd has used both.

Taken together, these measures probably add up to the biggest immediate cut in demand that has been deliberately imposed by a British government on any single afternoon in peacetime history. And it is very difficult to believe that the state of demand is now nearly as buoyant as it has been on several occasions when much milder measures have been used. Although the Chancellor said on Tuesday that "in the three months since the budget, home demand has continued to increase and is likely to increase even more than was then foreseen," the suspicion persists that he still does not quite know which copy of Bradshaw to look at. When the budget was drawn up, the Chancellor was relying mainly on the economic indicators for February, which suggested that the trend towards demand inflation was relatively mild. Thereafter, most of the figures for March and April pointed to a fiercer increase in inflationary pressure and it was apparently at this stage that the Government decided that it must bring forward fierce measures of restriction. But, since then, the retail trade statistics for May and June have seemed to suggest that demand was moderating, and it is a little surprising that the Government has decided quite so easily that these are indicators to be disregarded. If Mr Lloyd's judgment has been wrong, and if he has imposed his cuts on to a home market that was already off the boil, then domestic demand for a wide range of consumer goods could now spill over into quite a pronounced recession.

There will be differing views why Mr Lloyd has decided to risk this. Critics will allege that unnecessary loquacity may be the mother of some of this austerity; that Mr Lloyd had made so many speeches in recent weeks saying how tough he was going to be that a real squeezing had to follow so much squawking. But there are at least two good economic reasons why his sternness may have come at the right time. Although demand in the home market may now fall quite sharply, there are signs that in overseas markets (especially America) it may go on increasing quite fast; if there is anything in the theory that goods which are thwarted from being sold at home then flock into ships' holds to be exported, the next few months could provide excellent conditions for testing it. Secondly, there may be a need for a cold short-term nip in the air if Mr Lloyd's new long-term policies of planning are to begin to take effect. And that these should take effect is now the real thing that matters.

What Planning Means

THE road to more planning will not be easy. Although the Trades Union Congress has long proposed that the Government should plan, it is going to scream blue murder now that the Government tries to do so. For it has been obvious for years past that the main thing that needs to be planned is that trade unionists and other earners should not annually get much more money before they have earned it. What the Chancellor said about the need for "better co-ordination" of "the Economic Planning Board, the National Production Advisory Council on Industry and various other advisory councils" adds up, first and foremost, to a recognition that they should henceforth actually tell people the facts and figures and current aspirations of economic life. And the figure that in future they most need to proclaim with a loud voice—even though it cannot be with a unanimous voice, because their trade union members will not at first agree to this—is their planned estimate of what is the safe average increase in personal incomes that has been made possible each year by the previous year's increase in productivity.

On Tuesday, the Chancellor intimated in rather muffled terms what his view is of the safe average increase for this year; it is a pity that he did not phrase this part of his speech much more brutally. Between 1959-60 and 1960-61, he said, personal incomes rose by £1,450 million and production by only £650 million, so that this year "there must be a pause until productivity has caught up." What this means is that in most occupations, except those where expanding sales make it sensible to raise rewards in order to attract more people into the trade, the safe average increase for wage and salary rates will be nought. For the longer term, the Chancellor said that he wanted to "discuss with both sides of industry the implications for the various sectors of the economy" of his belief that "an annual increase of 3 per cent in the gross national product is feasible, but only if we have a 6 per cent annual increase in exports." What this means is that even when production starts to rise again the Government's guess (which can of course be amended if production manages to rise by more) is that the safe general increase in personal incomes in the average year will be only about 3 per cent.

Everything now depends on whether, when each major wage claim reaches its crunch, some figure for the year's relevant "safe increase" can be riveted into the public mind—instead

of its attention being diverted to a different and irrelevant figure which some Mr Guillebaud has advocated as being necessary to avoid a strike. It is no good supposing that even moderate trade union leaders will willingly accept this new sort of anti-inflationary policy, towards which the Government is now trying to fumble its way. On each occasion the unions will determine their actions, quite naturally, by whether they think that they can get more than the nationally "safe increase" by threatening or calling a strike. In the public sector, the outcome will depend mainly on whether the Government makes it steadfastly clear that it is no good any arbitration tribunal fixing up any compromise beyond the year's safe increase, because the Government simply will not pay out taxpayers' money to finance it. In the much larger private sector, it will depend on whether public opinion stands resolutely behind the policy against inflation—or whether, when each official strike threat flares into the headlines, the public will always slide away into the convenient assumption that an unsafe increase should be given in this "very special case."

It is not entirely inappropriate that the first test should come in the case of the teachers. During these last few weeks *The Economist*, in rather lonely isolation, has been urging the Government to do almost exactly what it has now done. This has not been a popular stand to be taken by a newspaper which is proud to count many teachers among its readers, and which believes that the largest extension of education is a first national need. But the facts in this dispute are really pretty plain to any unprejudiced observer who bothers to sit down and study them. Everybody who cares about education agrees that there is an actual or threatened shortage of special sorts of teacher with particular qualifications or responsibilities, who have devoted (or intend to devote) a lifetime's service to the profession; there is a strong case for higher differentials for graduates and for those who have already been in teaching for more than five years. But it is just not possible to argue that there is a similar shortage of young women queueing up at the ordinary training colleges, many of whom will spend only a year or two in the schools on the basic Burnham scale before they get married.

The heavy and expensive overemphasis in the rejected Burnham recommendation on increases for this mass of teachers at the bottom of the basic scale, and its underemphasis on differentials, stems from the fact that these young (and mainly women) teachers hold the balance of power in the National Union of Teachers. This is a classic case where trade unionisation has threatened to distort a pay award in a way contrary to the needs both of the market and of a profession's efficiency. No muttered truisms about the great worthiness of British teachers can alter the conviction that Sir David Eccles's decision (see page 439) looks abundantly right. Educationists will have cause to complain about unfairness only if other ministers who have control over wage and salary levels fail to follow his lead.

Not Exactly Plowden

THE other sections of Tuesday's statement that referred to longer-term policy were the Chancellor's expressed determination to encourage more competition and his expected promises about cutting Government expenditure. The references to competition and to attacking restrictive practices

were disappointingly imprecise, and those to Government expenditure seemed more than a little muddled. It is altogether welcome that Mr Lloyd has accepted the main Plowden recommendations: that this year "it would be a waste of resources to delay work in progress or to postpone necessary maintenance," but that Government expenditure needs to be planned for the long term. His promise about current Government expenditure in 1962-63—that he will do his "utmost to keep its increase [above 1961-62] at a level not more than 2½ per cent in real terms"—also fits in well with what he had said about long-term aims and plans. But having announced this, he seems suddenly to have remembered that the "safe figure" he is likely to want to enunciate for other people's real incomes in the year ahead is not 2½ per cent but nought. If he felt under an obligation to do the same for Government expenditure in 1962-63, the right course would have been to bring forward various plans for reshaping the social services which will almost certainly be necessary later in the 1960s. But despite some heartening promises that expensive aid for lame dog industries will soon be tapering off and that "we will have to look critically at the level of agricultural support during the 1962 review," he has not really done this; indeed, he seems later to have cancelled the good impression made by his remark about the farmers by assuring a private meeting of Tory back-benchers that no really big cuts to them need be expected.

Instead he is going to seek to offset the increase in supply expenditure by planning downwards some of the items of below-the-line and other expenditure which are least easily plannable. He hopes to make a sizeable cut next year in Government military expenditure overseas, although nobody can possibly tell in advance the number of Berlins and Kuwaits there may be. He intends to restrain the rise in assistance to under-developed countries, an item that it is perfectly reasonable to watch but quite lunatic to rigidify; Mr Nyerere's unfortunately timed appearance and consequent snub in London in the middle of crisis week is an illustration of the dangers here. Other economies are to be sought by suspending Government loans to building societies, ensuring that "authorisations and loan sanctions to local authorities will be considerably reduced" and asking for several "desirable

The Bill for Bizerta

While the damage of the flare-up at Bizerta will not soon be mended, its causes deserve study

BIZERTA is not worth the destruction of the remaining hopes of a peaceful Maghreb friendly to the West. On this occasion, there is no real doubt, it was President Bourguiba, leader of the weaker and innocent party to the dispute, whose miscalculations were the immediate cause of the battle that started on July 19th. Four days' fighting took the lives of a handful of French soldiers and more than 600 Tunisians. It has added refugees from Bizerta to the Algerians already crowding the camps in Tunisia; a mass departure of French citizens can be expected as soon as the Tunisian government allows them exit permits; and there is all too

proposals to be postponed or abandoned." Most of these measures, decided upon at a moment of presumed demand inflation, will take effect next year at a time when Mr Lloyd's general demand deflation may already have bitten deep. Mr Lloyd said on Tuesday that the word planning did not frighten him, but sometimes his conception of it may legitimately frighten us.

Which Prognosis?

BUT it would be wrong to end on this note of acidity. The worst possible result of Tuesday's deflationary measures would be if they issued in a period of unnecessary unemployment and loss of production, but then failed to stop a rise in wage costs at the end of the year, so that economy measures and stagnation or deflation still had to be continued throughout next year. The second worst result (which on past form might be the most likely danger) would be if Britain now repeated the story played out after Mr Thorneycroft's somewhat milder measures in 1957; these measures saved the pound from its immediate plight; they helped temporarily to stem wage inflation after the defeat of Mr Cousins's bus strike in early 1958; they paved the way for Britain's best eighteen months of industrial expansion from the summer of 1958 onwards; but then the lessons failed to stick as Britain ran away from the threatened railway strike of February, 1960 (and in so doing plunged itself into these last seventeen months of continuing inflationary crisis and economic stagnation).

The best result would be if this year the lessons could at last be made to stick; if the country emerged from 1961's wages and salaries battles without cost inflation, and also with a new formula for mobilising public support against inflationary settlements in future; if by about the beginning of next year, expansion could be allowed to go forward again (when the first step should be to cut back the new indirect taxes); and if the new techniques of Government planning and publicity kept the country's eyes both on the almost boundless things it can achieve and on the obvious traps it must avoid. Although nobody should underestimate the short-term shock of deflation that probably lies ahead, the hope of real regeneration can reasonably be pitched just a little higher than seemed likely before the Chancellor spoke on Tuesday.



much reason to fear further bloodshed. Such is the price—paid, as usual, by third parties—for the burial of President Bourguiba's reputation as a man of common sense.

Mr Bourguiba's conduct of the business is, indeed, its most disconcerting aspect.

The Bizerta question has been pending ever since Tunisia gained its independence in 1956, sometimes in cold storage, sometimes near boiling point; and Mr. Bourguiba had reasons for turning on the heat just now. His understanding with General de Gaulle, reached at Rambouillet

in February, had brought him no results, either in the form of a swift peace in Algeria, or of the evacuation of Bizerta. He needed to re-establish his position as an Arab nationalist leader, somewhat undermined by a good name for moderation. Like others, he could see no advantage in allowing foreign bases to remain on his soil when such states as Mali and Morocco had got rid of them, at little cost to themselves.

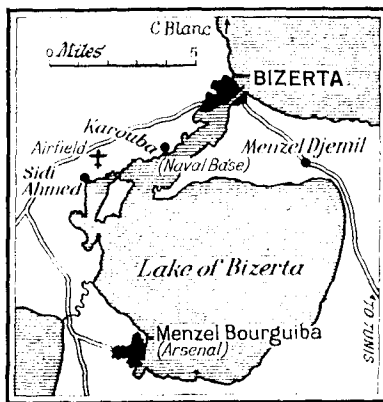
The issue, to his mind, grew urgent as the time approached for the resumption of talks between the French and the Algerians, which, in fact, began at the chateau of Lugrin on Lake Geneva on July 20th. He feared that, should these talks prove abortive, General de Gaulle might at once set about his last-ditch "regroupment" project, by which the French civilians in Algeria would be gathered into enclaves supported from Algerian military bases; and he feared that a continuing French base at Bizerta might be made part and parcel of this system. It therefore seemed imperative to show

Base of Bizerta

BIZERTA was established as a base by the French in 1882, when they cut a channel linking the lake of Bizerta with the sea. Its defences were directed towards the sea, on the assumption that the hinterland would be friendly. But the base left in French hands when Tunisia became independent is limited to four points, surrounded by Tunisian territory: (1) the naval and air bases proper (at Karouba and Sidi Ahmed); (2) the telecommunications and radar installations to the north (cap Blanc); (3) air defences on the other side of the channel (Menzel Djemil); (4) the arsenal (at Menzel Bourguiba).

Thus the Tunisians were able to block French communications without leaving their own ground. Secondly, the French needed reinforcements to defend their positions, and it was after the French decision to send troops on July 19th that the Tunisians started shooting. Thirdly, once the French had sufficient strength they had to enter Tunisian territory to protect their communications. This question is of significance in the interpretation of the Security Council's recommendation. The Tunisians claim that the French must simply return to their dispersed bases. The French argue that they must first have a Tunisian guarantee that the roads will not be blocked again.

Bizerta is described as one of the four main French naval bases, the others being Brest, Toulon and Mers-el-Kebir, near Oran. It owes its importance largely to its situation on the Sicilian narrows. But how important is the base, really, whether for France or for its Nato partners? Experts say that its chief use is as a control (and listening) point for air traffic and, even more, submarines. If Bizerta were evacuated its anti-submarine functions would have to be transferred elsewhere, perhaps to Sicily. The French are particularly worried because the evacuation of Bizerta would be treated by the Algerians as a precedent for Mers-el-Kebir. M. Jean Planchais has reminded them that "a base like Bizerta cannot be kept in the long run in a resolutely hostile country."



his repugnance for such a conception by pressing hard for a firm promise that Bizerta would eventually be dismantled.

But the diplomatic campaign had hardly started, and there was no sufficient reason to assume that it must have been unsuccessful. The Tunisians had many good cards to play. Their scrupulous request for agreement on "the principle of evacuation"; the sympathy of the West and the uncommitted nations; the help of the Algerian nationalists; and President Bourguiba's own relations with Paris and President de Gaulle—none of these assets could be said to be exhausted. At the least their failure would have made the use of force appear as a very last resort. But by firing on the French, in spite of warnings, President Bourguiba put himself in the wrong and invited the bloody and excessive French retaliation. The gulf he has opened between himself and his own past, between himself and the French, and between himself and the West, is still widening; the outcome cannot be foretold.

THE Tunisian reaction to what is now called "the massacre of Bizerta" is as dangerous as the original mistake. Mixed with horror at the dead and wounded is an emotional revulsion from all that is western and "colonialist," and a total incomprehension of the dilemma in which Britain and the United States now find themselves. There is no trace of recognition that the calamity, though of French doing, was, in an immediate sense, of Tunisian making. If only for this reason, the English-speaking powers cannot immediately put pressure on the French to withdraw their troops from the town of Bizerta—as the Security Council on July 22nd called on them to do—as part of its cease-fire resolution—let alone to begin the evacuation of the base. General de Gaulle would be unlikely to listen to them if they made the attempt. He would not wish to damage his own position in France by appearing to give way. The western powers, bracing themselves for bigger conflict over Berlin, cannot afford to quarrel among themselves about Bizerta. Unavoidably, the United States and Britain incur odium in Tunis for their failure to help. But they have not forgotten (and General de Gaulle certainly has not) that it was the Anglo-American attempt to exercise "good offices" after the bombing of Sakiet in 1958 that started the chain of events which brought down the Fourth Republic. This is a powerful deterrent for them; but it is not a reason that the Tunisians in their emotion can be expected to understand.

Disappointed in the limited scope of the Security Council's resolution which stopped the fighting for the moment but offered no remedy for the future, they still hugged the hope this week that a further appeal to the Council might win Anglo-American support for a more explicit directive. Whether Mr Hammarskjöld, in their midst, can conjure up a painless formula that could lead in the very long run to negotiations on evacuation remains deeply problematical. The French are not yet willing to withdraw to their starting positions, as the Security Council required and as their representative in New York was believed to have promised. The French have made matters worse by unmannerly treatment of Mr Hammarskjöld, whose offer to come on from Tunis to Paris they have turned down.

While the Tunisians put themselves in the wrong on July 20th, the French errors that drove them to it go back a long way. Whether from cynicism, or to compensat

for their other North African reverses, or from a mistaken estimate of the strength of Tunisian feelings on the subject, the French appear always to have assumed that they must and might hang on to Bizerta. The customary theory that the place was essential to Nato defence was called in aid. More recently President de Gaulle may have feared that, by giving it up, he would produce the same bitterness in his navy that, in the army and air force, led to the attempted coup of April 22nd. Hence the stiff refusal to negotiate that was the final reply to President Bourguiba's earnest letter of July 6th.

But the theory that a base has any value when the country where it is situated is hostile is well-nigh discredited nowadays; and when an issue is evaded for domestic convenience at another country's expense, there is always a bill to be footed in the end. The persistent deafness of successive French governments about Bizerta made trouble, sooner or later, certain. To refuse to negotiate with Tunis under threat of violence was characteristic of General de Gaulle; but it was pointless when he was preparing to do precisely that at the chateau of Lugrin, on Lake Geneva, with the Algerians.

Atlantic Union Next

Mr Macmillan's imminent statement on the Common Market could be the signpost to a bigger, more distant objective

FOR twenty years the basis of national survival for half Europe, the Atlantic alliance has always lacked institutions, political coherence, and any sense of permanence. In their economic life and in their politics the western countries have been interdependent in fact. But only in defence have they as yet devised formal institutions—first in the wartime alliance, then in Nato. For all the great common interests that lie beneath it, the Atlantic partnership has been a creaking, improvised affair, a series of hasty defensive huddles in the face of danger. Little has been done to cement the common interests together into a structure.

That, at least, was the position in the postwar period when the European countries circled like satellites round the American giant. But in the last three years, three new factors have changed the outlook. First, the new weakness of the dollar, eased for the moment but still latent, and the new pressure of Communist economic competition, have given the United States a new interest in economic partnership. With Europe recovered and groping towards unity, America is beginning to need Europe as much as Europe needs America.

This new feeling has coincided with the advent of a new American administration more open to ideas of economic co-operation and indeed integration. The plans for a new joint effort by the West as a whole beneath the umbrella of the Organisation for Economic Co-operation and Development are well known. In trade policy, new ideas are in the Washington air. There is President Kennedy's plan for a joint effort by the developed western countries to share the burden of increasing imports of textiles from the young industrial ones. There is Mr Dillon's current offer to cut tariffs in the General Agreement on Tariffs and Trade. In Africa, America is pressing the European Six and Britain to sweep away tariff preferences

The French did not want the crisis they got; but their conduct made a crisis of some sort inevitable.

The other French mistakes arose from the first. It now seems certain that Paris was given every warning that trouble was brewing, and paid no attention. When, at last, firing broke out, orders were given, to the stupefaction of those on the spot, for a retaliation which, in scale and kind, could only wreck the cautious friendship which the French and Tunisian leaders had managed, against odds, to construct. Can Paris really have calculated that the only way to ensure the safety of Bizerta in the future was to frighten the Tunisians into good behaviour?

Unfortunately such a mistake fits far too well into the recent pattern of French affairs. General de Gaulle's responses to events and problems in Europe are often sagacious and alert; but further afield he is often inclined firmly to refuse to take into account the existence of new forces in world politics. In the United Nations, in Africa and Asia, France continues to speak a political language that is no longer understood. At Bizerta the refusal to consider unfamiliar ideas has involved the whole western alliance in a misfortune it cannot afford.

for tropical products and offering a new deal in American policy in return—cuts in American tariffs on products like oil-seeds, participation in a joint aid programme for Africa, and new efforts to stabilise world commodity prices.

Behind all these projects lies a crude American interest—to load some of the burden of the trade and aid effort on to European shoulders. But that does not make the projects any less valuable. What is encouraging is that the new Administration seems to have realised that its own pressing problems can be solved only through a joint western effort. In the postwar years America helped Europe, and did what it could to egg the Europeans on to work together. Now the age of benevolent patronage is over, and a need for partnership is beginning to be felt.

The third and most important force for Atlantic integration is still hypothetical; it is the possible British move to join the common market. Though most of the new ideas in Washington are excellent, few have yet got off the ground. Europe is still preoccupied with its own divisions. America is not yet persuaded that it has in Europe a partner to be reckoned with. The Congressional debates on the ratification of the Organisation for Economic Co-operation and Development this spring were coloured by an intense dislike of pooling sovereignty, whose tone seemed to echo British discussions of integration before the common market reared its head. But just as the emergence of the common market has forced Britain to reconsider its position in the world, so British membership of the community, creating in Europe a partner comparable in wealth and stature to the United States, would accelerate America's reappraisal. Those in Washington who are for an Atlantic union make no secret of the fact that their task will be easier if Britain joins the Six. British membership of the European community would provide the political impetus, in terms of power, to bring an Atlantic partnership within reach.

In detailed economic terms, the American Administration's new deal for African aid and trade would be the more easily

realised if British membership of the community were first to set the process going by merging the French and British preference systems; this would create a factor of unity in Africa as well as in Europe. Inside the community, Britain would be bound to press, like America outside, for a common European policy liberal enough to satisfy the new industries of India and Japan. Nor would the catalytic effect of British membership stop short there. In Gatt, the European governments and the United States are already working out a first 20 per cent cut in their tariffs against one another. The addition of Britain to the weight and bargaining power of Europe could open the way to a further drive to cut tariffs between the Atlantic countries. Their high tariffs on cars, chemicals, machinery and durable consumer goods are an obsolete relic of the nineteen-thirties. Tariffs on these goods, which are still made almost exclusively by the developed countries, could be slashed easily, without touching on the more delicate problem of industrial imports from low-wage Asia.

AGRICULTURE presents another field where British membership could be the catalyst of a wider western effort. The problems raised for American exporters (as well as for Commonwealth ones) would increase American pressure for liberal farm policies by the European community. Europe, on the other hand, would be in a stronger position than ever before to urge the Americans to practise what they preach. The time would be ripe for an effort to free trade in farm products between all the developed western countries, and for a more determined search for ways of using farm surpluses to feed the hungry undeveloped world.

Most radical of all, a British move into Europe might precipitate more serious attempts to meet the twin needs to fill out the cushion of reserves (international liquidity) which backs the world's foreign trade and to integrate western economic policies much more effectively than in the past. A start may be made this autumn with proposals for reforming the International Monetary Fund. But these are palliatives, not cures, and on the Continent (and in Paris in particular) the IMF is not considered the right place to solve the problem. The Continental governments are far more willing to be radical about joint currency arrangements—with their far-reaching political implications—in the context of tight western groups that have political guts. If Britain joins the community, bringing the sterling system, with all its problems, with it, the need to reshape the international monetary system will be brought to a head while a new opportunity to do so will be at hand.

What of political institutions on an Atlantic level? These will no doubt grow slowest of all. But if OECD does become

a centre where Atlantic policies are formed, the formation of an Atlantic assembly to criticise and ginger it up would seem a logical next step. *Ad hoc* meetings between the European Parliament and Congress, like those organised in the early 'fifties by the Council of Europe, might provide a starting point. How far the road led in politics would depend on how far economic integration developed.

BRTAIN'S decision, when it is made, could thus have creative effects far beyond Europe, which would in themselves put many of the Commonwealth difficulties of the moment in a different light. The value to the Commonwealth of a joint western approach to the problem of temperate agriculture, or of a common policy to increase imports of manufactures from low-wage Asia, needs no emphasis. In Africa, the American pressure to reduce preferences, and the American offer to come in on commodity stabilisation plans, are helping to persuade the French—and the former French territories—to be ready for change. Canada's current worry about exports of manufactures to Britain would dwindle to insignificance if something approaching an Atlantic free trade area were to follow on British membership, as Mr Lester Pearson, leader of the Canadian opposition, has suggested. Problems that loom ominously large in isolation dwindle in the context of a dynamic, swiftly integrating western world.

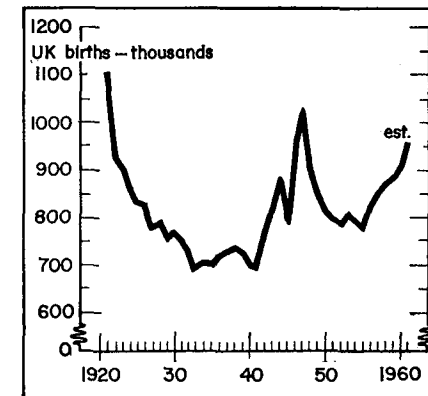
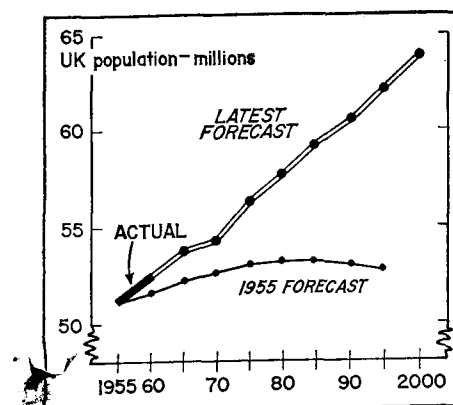
This is the prospect we need to keep our eyes on during what may be a period of distracting tactical manoeuvre. The new western partnership needs two strong pillars—western Europe and America—to support it. It cannot be built on one only. Growing unity in Europe remains an essential of the Atlantic edifice. And to the next stage in this unity, Britain holds the key. But at the same time, those in Britain who are still reluctant to turn the key can gain reassurance from the wider Atlantic prospect that is opening up. What is already on the cards in Washington—and in Brussels, where thinking about Atlantic integration has gone far—is more than an extension of free trade; it is the beginning of a joint attempt to manage the economy of the West on Keynesian lines, as national economies are managed today.

The Atlantic prospect also provides a weighty argument for speed in making a British move in Europe. If the negotiations about British membership drag on interminably, the broader process of integration is likely to go slowly too. Obviously Britain cannot jettison specific Commonwealth export interests for the sake of uncertain hopes. But there is a strong case for satisfying Commonwealth interests by simple general guarantees rather than complicated detailed ones. If difficult tariffs are popped into a British "List G," to be negotiated later, a general western effort to cut tariffs may have reduced the critical items before they come up in the community at all. If general institutional devices—like the opportunity for a veto on further progress after a first phase of British membership—are used to safeguard Commonwealth export interests, broader western plans to satisfy them may have matured before the devices have to be used.

Some people in Britain are still worried by the feeling that the plunge into Europe will be an act of abdication from Britain's world-wide role. The Atlantic prospect should allay their fears. For when Britain joins the community, if it does join, it will take its world-wide interests with it. What follows then ought to be a new phase for the whole Atlantic world.

Britain's Baby Boom

At a time when long-term official forecasting is in the news, it is surprising there has been very little public discussion of one field where such forecasting has already gone quite wildly wrong: the size of the population of these islands



LESS than five years ago nearly all official demographers thought that Britain was entering a period when its population would mark time; they guessed that there would be a gradual addition to the number of Britons of up to two million until about the mid-1980s, and then a gentle turn of the tide. Everything then seemed to suggest that it would be surprising if this century saw much change in the size of the population in Britain. Everything now seems to suggest that it will be surprising if it does not.

The forecast of the population of the United Kingdom in 1995 has shot up from 52.8 million to 62.2 million. The growth that is now predicted for the second half of this century is slightly larger than the actual increase in the first half. This drastic revision of ideas spotlights the hazards of these predictions; perhaps it argues that forecasting forty or fifty years ahead should be looked upon as no more than a diversion for demographers. But the changed outlook much nearer to the present certainly cannot be ignored. Five years ago, the population forecast for 1965 was 52.2 million; as it has turned out, this figure had already been exceeded by the middle of last year. And the increase of 2 million over the 1955 level, previously foreseen by 1979, can now pretty confidently be expected as soon as 1964.

TABLE I.—HOW THE POPULATION IS EXPECTED TO CHANGE
(Millions: United Kingdom)

	0-14	Ages 15-64	65 and over	Total Population
1960	12.2	34.2	6.1	52.5
1965	12.2	34.9	6.5	53.7
1970	12.8	34.9	7.2	54.9
1975	13.4	35.1	7.8	56.3
1980	13.8	35.6	8.3	57.7
1985	14.7	37.3	8.6	60.6
1990	15.6	40.0	8.3	63.8

No miraculous lengthening of life has occurred to put the demographers out: they have stuck to the same view about the likely improvement in mortality rates. Nor have they done more than pare down fractionally the anticipated annual loss on the turnover of people moving in and out of the country.

Where they have gone wrong, and quite badly wrong, is over the birth rate: each year many more babies have been born than they had expected. In 1955, the experts forecast a decline in births; instead they suddenly shot up in 1956 and have gone up and up, increasing by about 25,000 each year.

Last year 916,000 babies were born in the United Kingdom, more than in any year since 1947 (which was the year after most fathers came home from the war). From the first six months' experience in 1961, it looks as if this year's total is

going to be still higher. The latest population forecasts are already out of date—for the immediate future anyway. Stemming from the middle of last year, these projections assumed that births would average 880,000 in the first five years. It seems as if births go on growing in defiance of all reasonable assumptions—not only in Britain but in many other western countries, including the United States where demographers also failed to anticipate the population growth of recent years.

Two factors largely account for this boom in babies. First, people are marrying younger. Secondly, they are having their families earlier in married life. The effects are rather complicated. A sudden reduction in the average age at marriage of, say, one year means that during the year of change there are roughly twice as many marriages as usual. At first thought, it might seem that the resulting extra crop of babies would be offset by a deficit later on, provided the ultimate size of family stays the same. This is not so. In effect, the whole childbearing cycle of all cohorts subsequently coming into the marriageable ages is brought forward a year; and during the twenty-five years following the change in age at marriage there will be extra births equal to the total offspring of one cohort. This extra batch of babies, and their offspring, are a permanent, not a temporary, addition to the population. Much the same happens when the timing of births is brought forward earlier in married life. But, since there is a limit to earlier marriage and faster childbearing, these factors cannot go on accelerating population growth for ever; eventually births will once more settle down to a normal level—provided there is no increase in family size as distinct from faster completion.

But will the completed size of the family remain the same? There are some reasons to suppose that women who marry earlier may have larger families. For one thing, fertility is comparatively high at the younger ages. For another, whether or not early marriage is associated with a desire to have more children, it certainly lengthens the time of risk to childbearing. Some sociologists say that families in the future might be expected to be smaller because of the development and spread of knowledge about contraceptives. On the other hand, there may well be a desire to have more children as income rises. Admittedly, this last point is largely guesswork. Although short-term economic fluctuations seem to have a pretty definite effect (the depression in the 1930s, for instance, soon dragged the birth-rate down), little is known about how continued prosperity or continued depression is likely to affect fertility. The statistician is hampered here by the fact that women married since the war have not yet completed their reproductive history; the available evidence can there-

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fore be only of the fragmentary kind set out in Table II below. Though this shows that in the first five or ten years of marriage, British women are now having more children than in the 1930s, it does no more than suggest that the prewar downward trend in family size has been reversed.

TABLE II.—AVERAGE FAMILY SIZE*

Year of marriage	Marriage duration in years:—					
	5	10	15	20	25	30
1920	1.38	2.02	2.34	2.49	2.53	2.53
1923	1.27	1.84	2.12	2.25	2.29	2.30
1928	1.17	1.69	1.95	2.10	2.14	2.14
1933	1.12	1.63	1.98	2.10	2.12	...
1938	1.05	1.72	1.99	2.07	...	...
1948	1.25	1.84	...	...	...	...
1953	1.25	...	...	...	...	...

* Of women in Great Britain in 1958 who had been married once only at all ages under 45.

Demographers are reluctant to accept the view that the British family is going to become noticeably bigger. But even if the current baby boom eventually exhausts itself with a return to a more normal level of birth rates, as the latest forecasts imply, the number of babies will still go on growing although at a slower rate. By the end of this century, on this reckoning, births will number about 1,100,000, or as many babies will be born at the close of the twentieth century as at its start.

If the population is going to grow as fast as this, or perhaps even faster, the implications are far-reaching. The postwar bulge in the school population will not disappear: there will be more schoolchildren even by 1970 than in 1960. And

although high fertility means high levels of employment, some very crude calculations in Table III below suggest that, except in the years immediately ahead, those at work will form a declining proportion of the total population.

TABLE III.—HOW MANY WORKING IN GREAT BRITAIN? (Millions)

	Labour Force*	Non-Working Population
1960 numbers.....	24.44	26.68
Increase over 1960:—		
By 1965	+0.61	+0.52
By 1970	+0.77	+1.55
By 1975	+1.03	+2.64
By 1980	+1.45	+3.57

* Assuming the same working habits as today (i.e., that any tendency towards later retirement is offset by a fall in the proportion of teenagers at work as further education is increased).

This discussion is not intended to re-fuel gloomy fears that population is about to outstrip resources. Malthusianism is pretty well dead in a country like Britain today; its extreme form, which was based on the assumption that agricultural production is inelastic, hardly stands up in a period when technological advances (e.g., broiler houses for chickens) or even tiny increases in short-term subsidies can send production of many foods soaring by embarrassing amounts. Nevertheless nobody concerned with planning for the future can afford to ignore the speculation that for every five people in Britain today there may, before the end of the twentieth century, be six.

NOTES OF THE WEEK

REARMAMENT

Reassurance or Warning?

MR KENNEDY, when he announced his new rearmament measures to the American nation on Tuesday night, called the Berlin crisis a "manufactured crisis"; and he showed himself aware that the Russians have it in their power to manufacture a crisis somewhere else whenever it seems expedient. Thus, in one way, he was resisting pressure for a premature military demonstration which not only might make the Berlin question harder to regulate by agreement than it is already, but might cause the United States, with its guard up in Germany, to be caught off guard in some other sensitive spot.

His speech (discussed in detail on page 451) contained many elements, as it had to. There was the now inevitable warning, addressed both to Moscow and to the American grassroots, that the Berlin conflict may lead to war: "An attack upon that city will be regarded as an attack upon us all." There was the necessary offer of negotiation to meet specific Communist grievances: "We do not intend to abandon our duty to mankind to seek a peaceful solution." Hardly less necessary was the

refusal "to call up or send abroad excessive numbers of these troops before they are needed." While the Russians had to be warned and reassured, the North Atlantic allies had to be reassured and, at the same time, warned that a bigger defence effort would be expected from them, too. This last warning will fall on preoccupied ears—in west Germany, already deep in its election campaign; in Paris, where the maintenance of dignity at Bizerta is the first concern; and in London, where Mr Selwyn Lloyd's intentions towards the Rhine Army, expressed in another Tuesday speech (and discussed in the Note that follows this one), are formed by Britain's domestic inadequacies and, for all the talk at the Foreign Office of "special preparations," by little else.

In the end, it was perhaps the determination to find a third course between retreat and nuclear war that came out most strongly among the various notes Mr Kennedy had to strike. The costly new American defence measures are preponderantly aimed at a strengthening of conventional fighting power, designed to produce

some military freedom of action without recourse to the ultimate weapons. To draw easy reassurance from this idea would be foolish; since both sides possess nuclear weapons, it is unlikely that either will permit itself to be defeated—above all, in Germany—without using them. But east and west are now engaged in an arms race, arising, as Mr Kennedy made clear, not from the Berlin dispute alone but from a world-wide conflict. Any doctrine would be false that made such a contest look fool-proof.

Who's in Step?

JUST how tough was Monday evening's table-talk between Mr McNamara, the American Secretary of Defence, and Mr Watkinson on contingency planning for the Berlin crisis is a nice question. There was no communiqué on Mr McNamara's departure, which may have meant that none was necessary. Mr Watkinson's line was understood to have been that it was essential not to build up a prolonged period of tension; that such British reinforcements as are immediately available (the two brigade groups of the strategic reserve) could be sent to BAOR very quickly if

needed; and that this was certainly not the time for such emergency measures. Into this hiatus there stepped on Wednesday afternoon a Foreign Office spokesman who, displaying some anxiety to keep in step with President Kennedy, contrived to encourage the impression that a call-up of British reservists was now imminent.

There is a good military case for bringing BAOR to establishment, particularly in technicians and tradesmen, in order to ensure the efficiency and mobility of the seven brigade groups there long before there could be any question of the balloon going up in Berlin. This would probably involve sending some 5,000 men to the Continent. There is equally a diplomatic case for keeping quiet about any troop



Messrs McNamara and Watkinson: how tough?

movements that may be envisaged. The perplexing aspect this week has been that the Ministries apparently insist on doing each other's job. It would be the reverse of surprising if the reserve machinery were now, in fact, receiving a hard looking-over. But if the army were to be given a massive influx of rusty soldiery, its energies this autumn would have to be directed to training them, not facing up to the Russians.

Just how tough the Chancellor intended his threat to be to cut military spending (now £65 million a year) in Germany next year is another puzzle. The North Atlantic Council has been asked to review the financial conditions under which British forces are maintained on the Continent. It is conceivable that the Americans may have similar ideas; if so, something may come of it. But it is idle to bank on a state of tension in central Europe being somehow safely over in time for the next accounting.

EUROPE

On the Eve

THE council meeting of the European Free Trade Association in Geneva this Friday, July 28th, might suggest that the British Government has decided to seek membership of the European common market. The possibility that such a meeting might follow the Commonwealth tours of the three British ministers was aired last month when Efta met in London. The decision to hold it is strong evidence that

the objections the pilgrims brought back have not deterred the Government. Three days later, on Monday, Mr Macmillan will make a statement to the House of Commons—followed, on Wednesday and Thursday, by a two-day debate. In the meantime, on Tuesday, the Council of Western European Union will have met in Paris. There the Six will be able to tell Britain about their Bonn meeting, while Britain will be able to lay its common market cards on the table if it wants to. It could be an eventful week.

On Wednesday Mr Spaak, who has been playing a vigorous part in the life of the communities since his return to the Belgian government, flew to London for talks with Lord Home and Mr Heath—another har-binger, perhaps? Light should come at last from the Prime Minister on Monday. But, even then, the speed with which negotiations can be got going will depend on the precise terms of his offer, if he makes it.

The Efta meeting is bound to have some bearing on this. When they met in London, most of the members seemed to have taken in that sooner or later Britain would seek to join the common market, but many uncertainties were left about the degree of help the smaller countries could expect from Britain in negotiations, and about the form these would take. In general terms the British Government went a long way to satisfy its partners, with the undertaking to "remain united" in negotiations and to maintain Efta until the "legitimate interests" of all members were satisfied. Which interests are legitimate, and in what way each national negotiation is to be linked to the others, was not, however, defined. The smaller countries, and the neutrals particularly, are entitled to British support. The question is whether Britain can help them best by moving at their pace in the negotiations, or by getting in quickly and helping to open the door from the inside.

TEACHERS' PAY

Burnham Rewritten

IN the weeks when the Chancellor was publicly whetting his axe the teaching profession in England did little else but ensure that its neck was hopelessly stretched on the chopping block. When the blow did fall on Tuesday, English teachers can probably thank their stars that teachers in Scotland already had a rise of 14 per cent (decided on by the Secretary of State but not by their own negotiating committee); by then the National Union of Teachers in England, having rejected the Burnham award of £47.5 million, had got precisely nothing. The Government could not go back on the Scottish decision, but it also felt obliged to offer English teachers approximately what the Scots had got. The outcome now is that the Minister of Education has told the Burnham committee that

no more than £42 million a year can go into the kitty (with another £11 million for teachers in technical colleges), which is probably the sum that the Government was prepared to accept from Burnham in the first place. This means a rise of 14.6 per cent, roughly in line with comparable professional salary increases over the full period of the last Burnham award, but £5.5 million a year less than Burnham had recommended. The Burnham committee has been told that this saving of £5.5 million a year must come off its recommended basic scale of £600-£1,200: there must be no reduction in the differential payments for special qualifications and responsibilities, some of which indeed should be increased.

This is undoubtedly the right way in which to make the cut. There is no shortage of entrants to the profession on the basic scale, but severe shortages exist higher up (particularly among graduate teachers of science and mathematics); and the normal professional expectation of good salaries in the top jobs has steadily been eroded by the NUT's own policy. The country now gets increasingly little return for training and reimbursing young women teachers, 15,000 of whom left to get married last year, most of them with less than three years' service. It is patently more desirable to give substantial inducements both to graduates (thus raising the status of the profession) and to those following a career who stay in the schools for five years or more. This also helps the young man who is by then taking on the responsibilities of marriage and a family.

Since the Government's stand was signalled well in advance from Scotland there should be no surprise in the profession now. (In some sections there will certainly be relief, even if it is not expressed aloud.) If the NUT decides to strike (it got round to a belated acceptance of the original award on Thursday) it will be on a very sticky wicket. In future, the Minister is to enter the Burnham negotiations at their start to indicate the magnitude and (to some extent) the nature of the award that he is willing to consider—although he apparently will not assume the full authority that the Secretary of State for Scotland already possesses to write the salary award himself. The idea is that considerable discretion can still be left to the teachers' panel and the local authorities on the Burnham committee, provided that the economic realities are injected at the outset. This new pattern will be in line with what seems likely to be the Government's policy for wages in the public service as a whole.

CONSERVATIVES

No Real Revolts

THE press has attached great significance to the subdued reception given to the Chancellor and his measures by Tory back-benchers, first in the Commons and then—

reputedly—at a private party meeting. But what else could be expected? Restrictive measures, however necessary, can hardly be an occasion for scenes of wild Conservative enthusiasm. What has been largely ignored is the enormous qualitative gap between restraint and hostility. Mr Lloyd certainly had every disadvantage to contend with when he finally got to the despatch box on Tuesday. His statement had been so long delayed, every possibility had been so thoroughly canvassed, so many remedies had been suggested and so many hints of drastic novel remedies dropped, that an initial element of anti-climax was unavoidable. When, three-quarters of the way through his statement, his actual proposals began to emerge, they came so thick and fast that Tory members did not seem to realise how very tough the Chancellor was being; it is not clear that they realise it yet. But if the Government really does stick firmly to its policy—and finds itself, for example, faced with the threat of widespread strikes—it will have a united party behind it preferring a fight to a surrender.

The economic crisis may have weakened the Government's bargaining position *vis-à-vis* the Six, but it has probably strengthened

NOTES OF THE WEEK

its hand on Europe with its own back-benchers. Mr Turton's warning motion on Britain's entry into EEC had attracted more than 30 signatories by Thursday morning, and will attract some more; but ultimately it is likely to be as ineffective as his similar manoeuvres over Rhodesia. Economic adversity has brought home to the party the opportunities the common market offers, and its existence on Britain's doorstep is beginning to be viewed more as a godsend than a curse. In private, Tory members are freely admitting that much blame for present difficulties lies with inefficient managements and that tariff cuts would do more to revive British industry in the long term than any other measure. Conveniently enough, entry into the common market would provide precisely this. If the Prime Minister announces on Monday that negotiations (which may, or may not, be described as "soundings") are to be opened with the Six he is likely to find the majority of the party giving him fairly solid if unenthusiastic support—with probably no more than twenty carrying their convictions into the division lobby and voting against the Government, when some opportunity for a vote is ultimately given.

can be found. The suggestion, first put forward by the United Arab Republic, that any Arab force should exclude troops from countries bordering on Israel seems to have been dropped. But the negotiations about where the soldiers should come from, who should command them and how they should be paid are still very much in the air. By the middle of this week, about 2,500 British soldiers were still in Kuwait, and the Government was apparently hoping for a substitute Arab force of around brigade strength. Even this, according to the present way of thinking, would only be an intermediary stage; the long term aim would be for Kuwait to have an effective defence force of its own, composed, presumably, mainly of mercenaries.

This foresees an uneasy future for the sheikhdom. The Persian Gulf territories can hardly hope to preserve their independence by turning themselves into garrisons. The more they are drawn into the Arab world the better, and the Arab League's decision was a long step in the right direction. It would be a pity if the flexibility shown by all the Arabs, except Iraq, were to come to grief against a too defensive British attitude.

SOUTHERN RHODESIA

Mess of Votage

WHENEVER Britain has urged Southern Rhodesia to lift away another boulder of apartheid, Sir Edgar Whitehead has reached for his sugar-tongs. This has worked before. The method is to sweeten the white electorate by talking like Dr Verwoerd, while, whenever it becomes unavoidable, putting through another progressive measure. In an attempt to save the federation, Britain has lately put more pressure

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on Southern Rhodesia than ever before. Sir Edgar Whitehead, the prime minister, has used his sugar-tongs with fair success. In Wednesday's referendum (the campaign for which is discussed on page 446) he persuaded three-quarters of his 80,000 voters (of whom all but 6,500 are white) to choose, by a two to one majority, a constitution that puts Africans into Southern Rhodesia's parliament for the first time. It does little else: there will be 15 Africans in a house of 65, and a Bill of Rights that is by no means watertight.

Nevertheless, the decision is welcome, even if only as a sign that the voters of Southern Rhodesia can be talked into moving forward, however slowly. Ideally, the decision could be regarded as a first step towards real racial co-operation. Southern Rhodesia's public relations machine will be tempted to promote this view.

Unfortunately, both sides in Southern Rhodesia are giving every appearance of viewing the new constitution as the white man's last concession in the interests of retaining control. Sir Edgar's campaign speeches have implied as much: the main reason for voting "yes" to the new constitution may have been the belief that Britain was willing in the event of acceptance to withdraw its remaining reserve powers over the colony's constitution. Africans, in their way, have said the same thing: the National Democratic Party view is that their birthright of British protection from settler excesses has been given up in return for a mess of votage. That is why, in their unofficial referendum on Sunday, the leaders of the NDP persuaded 300,000 disfranchised Africans to come to little grass huts and register a "no" vote.

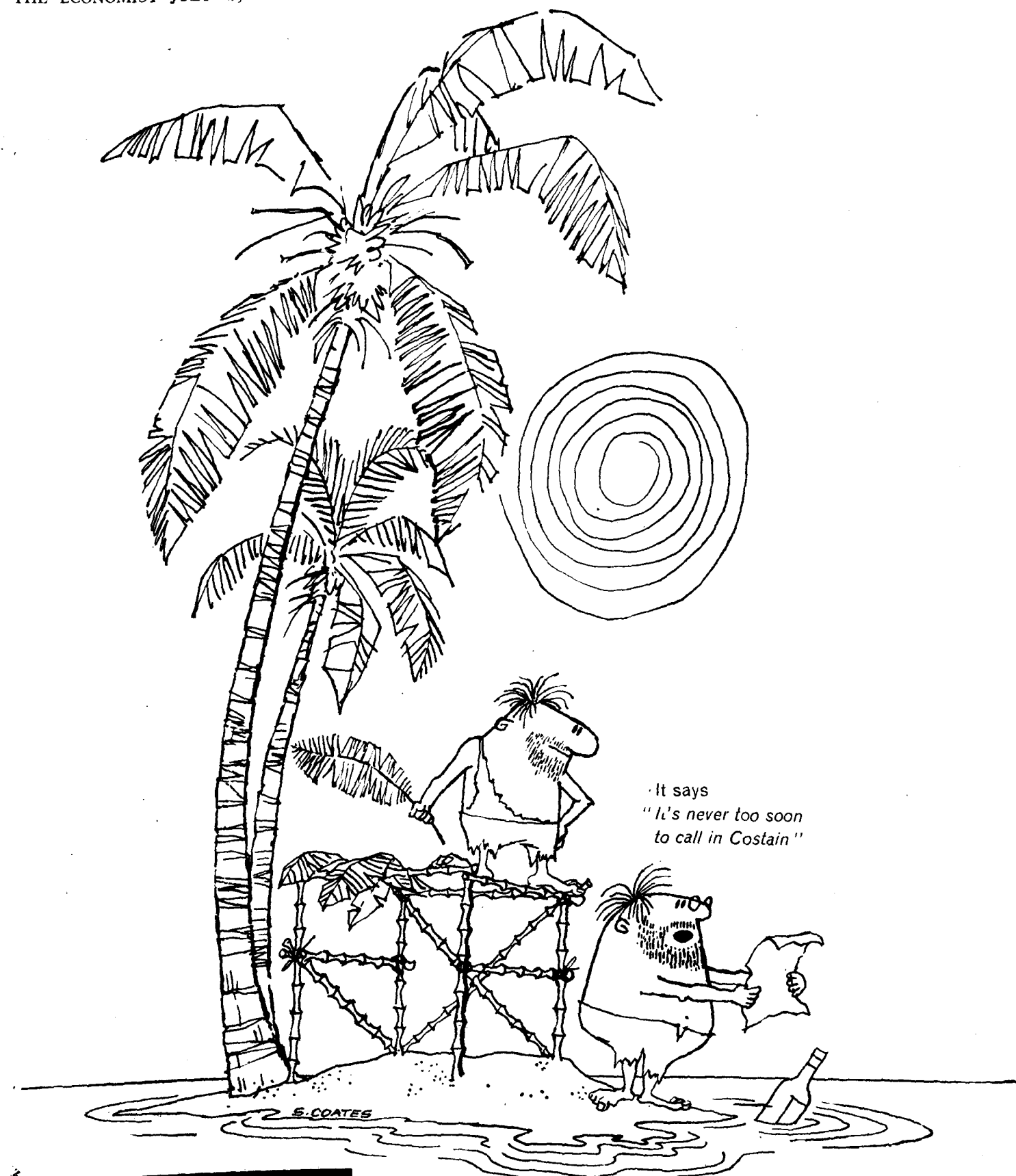
The NDP was not so successful, however, in its attempt to frighten whites into a negative referendum vote by calling Africans out on strike. The strike flopped; Sir Edgar was able to call out his troops, to the apparent satisfaction of the white voters. What the new constitution means is that the era of rule by sugar-tongs is over: now the struggle for power in Southern Rhodesia begins in earnest. At least there is 15/65th of a chance that some of it will be fought out in parliament.

ETU

Talking Tough

NEVER in its history has the general council of the TUC spoken so roughly to a constituent body as it did this week to the Electrical Trades Union. True, no major British union has ever been enmeshed in such a web of intrigue as the ETU: nor has public opinion ever so bitterly condemned a union—and by implication the whole trade union movement—for allowing such a state of affairs to arise. But the general council's ultimatum, which orders the ETU on pain of suspension to ban five communists from union jobs for five years,

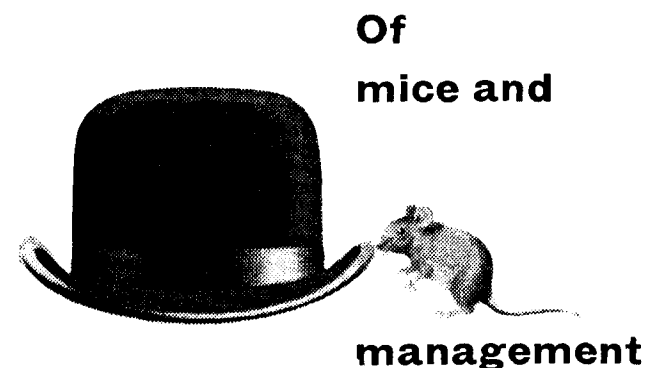
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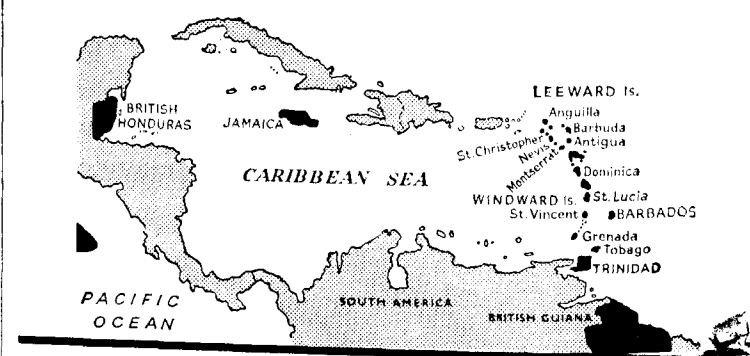
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to secure the resignation of Mr Foulkes and hold a new election for president, and to restore authority to the new non-communist general secretary, is very tough talking indeed. At the meeting on Wednesday the president of the TUC, Mr Ted Hill, was persuaded publicly to swallow the words of a speech in which he had appeared not to worry about ballot-rigging in the unions: for a moment it looked as though the old cart-horse was actually galloping at the head of a charge of knights in shining armour.

The importance of this is that it may enable Mr George Woodcock, who took over the job of the TUC general secretary last year, to rally behind him those who share his strong views on the unions' need to regain public esteem and support. Many people believe that a step towards this recovery could be taken by transforming the TUC from a talking shop into an effective general staff for the movement; and once a trend towards centralisation of power in the TUC set in for this almost accidental reason, the long-term consequences, in all sorts of fields, could be both intriguing and immense. Whether the TUC has the necessary weapons to begin to exert such leadership is now under trial. Its main weapon is, quite simply, publicity. The threat of suspension of the union from TUC membership might do something to make its electrician members realise the undignified and unworthy position into which their association has been manoeuvred: Mr Woodcock's aims can best be fulfilled if they vote the right men on to the union executive at the elections in September.

LAND PRICES

Death of a Plan

LAST week's debate in the Commons on land prices made it clear that the authors of Labour's plan for a public land commission to buy the freehold of all building land will have quietly to let it drop. Mr Brooke and two or three surveyors among Tory backbenchers had the debate all their own way, and have set some Labour MPs visibly blanching. The only real remedy for high land prices, said Mr Brooke, is to bring more building land on to the market, and to run an economy in which more and more existing sites are redeveloped to allow the land to be used more efficiently. Labour's plan would do precisely the opposite. As its land commission would pay the owner less than the market value for any land that he frees for building operations, obviously less land would be offered for sale; and any owner who started to redevelop his own site more efficiently would know that at that precise moment he would lose his freehold to the public land commission.

Still, suppose that one ignores this. Suppose that the commission tracks down, say, some farmer who admits that he is going to

sell his land to a builder, and swipes it from that protesting yokel at the below-market price that it is to be ordered to pay. Does the commission then itself lease the land to the builder or developer at the new full market value, as affected by the new shortage of building land it has created? In that case the net effect of this plan that was supposed to bring down building costs is to put them up. Or does the commission lease it at less than full market value? Labour speakers indicated the latter. Then how does it stop its favoured lessee from promptly sub-letting at the new full market value and pocketing the profit himself? Presumably Labour is not thinking that it can ban or control all sub-letting in England.

Labour front bench speakers suggested that under their scheme occupiers of new or redeveloped houses would not own a freehold, but would have a lease from the land commission that would last as long as they or their heirs occupied their house or until their house was demolished. This would mean that occupiers of a rotting house would have an incentive to patch it up for ever, never to pull it down and rebuild it—because the moment they started rebuilding they would lose their interest in the land under a compulsory purchase order. Moreover, it would be impossible for anyone to obtain a mortgage on a leasehold property where the term was indeterminate as to its length, so that it would seem that eventually nobody would be able to buy on mortgage any house that had been built or rebuilt after Labour's law came into effect. And . . .

But really there is no point in going on flogging this dead horse.

LABOUR

Blackpool Rest Cure?

THE 419 resolutions submitted for Labour's Blackpool conference (October 2nd to 6th) are not a very significant list; they will be composited down to two or three resolutions on each main subject at Blackpool itself. Just over a hundred of the resolutions set the stage for fighting again the Scarborough battle about unilateralism, which the Gaitskellites are now triumphantly going to win right along the line. Probably Mr Gaitskell will not even have to worry about any embarrassingly specific vote being carried against Polaris bases. In any case, the main foreign policy issue by Blackpool-time will almost certainly be the Berlin crisis, which most authors of these resolutions apparently did not realise exists. On home policy Mr Gaitskell looks like having a relatively easy passage. The delegates are going to enjoy themselves supporting his land purchase scheme (which he will then quietly have to ditch); and attacking the Tories about housing, about health charges and, above all, of course, about last Tuesday's measures. But once again these resolutions

were tabled before their authors realised that Mr Lloyd would be swinging his axe.

Possibly the most interesting debate at Blackpool will be the one about the common market, which the left wing of the party is now going all out to oppose. In time this could conceivably succeed unilateralism in being the bitter issue that splits Labour's Bourbons from its progressives—which would be an extraordinarily perverse achievement for the party since the issue has seemed to be tailor-made to split the Conservatives instead. There will also be an attempt at Blackpool by four constituency parties to secure reforms in the present absurd system of voting at the Labour conference, but the national executive seems unlikely to do much about this. The great gain for Labour and British democracy in the past few months is that the importance of this annual conference's decisions has been devalued; and, until he runs into his next crisis, Mr Gaitskell's policy can be one of letting sleeping hornets lie.

ITALY

Another Pilgrim

SIGNOR FANFANI and his foreign minister, Signor Segni, are to visit Moscow next week from August 2nd to 5th. This official announcement, made on Monday, confirmed rumours of a Russian invitation that had been circulating in Rome for some days. The invitation was given early this month by the Soviet ambassador in Rome, who is reported to have appeared anxious that the visit should take place as soon as possible. Signor Fanfani, for his part, made it clear that if he went, he wanted his visit to include talks on the troubled international scene and not to be a mere courtesy affair.

For once the Russians may have had little difficulty in falling in with the wishes of a western leader; their invitation to Signor Fanfani at this particular juncture probably has some special object, although what exactly it is remains unclear. Italy is not directly concerned in the Berlin question, although as a member of Nato it has a lively indirect interest. Mr Khrushchev must know that if he chooses to divulge his thoughts on the Berlin problem to his Italian guests, they will pass them on to the British, American and French foreign ministers who are meeting in Paris next week. He could find this a useful exercise. But Mr Khrushchev may merely be counting on Italy as a weak link in the western chain, to be weakened still further by judicious tugging, and by anti-German propaganda, for which the trouble in South Tyrol comes in handy. Some evidence for this miscalculation was to be found in the Italian communist press this week.

But whatever the motives behind the Soviet invitation, Signor Fanfani's decision to accept it has been officially welcomed by

all the parties supporting his government, whatever their private misgivings; it looks like causing less controversy in Rome than did President Gronchi's visit to Moscow eighteen months ago. Signor Fanfani himself is no doubt willing to treat the journey as an opportunity for Italy to play a more important—and conceivably very useful—part in the western alliance. The risks of being subjected to Mr Khrushchev's threats and wiles, or that the visit may cause domestic political difficulties, are occupational hazards that must be accepted.

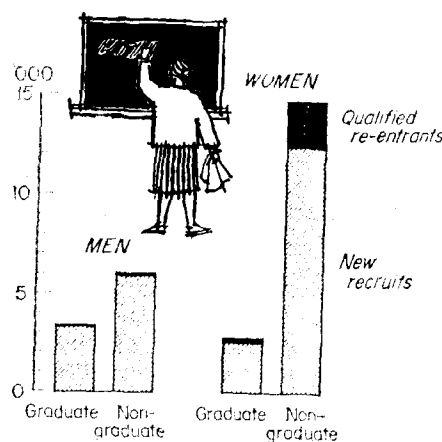
EAST AFRICA

Poor Little Poor Boy

IN Africa, the wages of sin is a benevolent British Treasury. Tanganyika, whose prime minister everybody approves of, has received £3 million in loans and £4½ million in grants from Britain in the last three financial years. Across the border Kenya, whose politicians are approved of by few, has received £12 million in loans and £5 million in grants in the same period. Tanganyika has nine million people and no political troubles; its assistance amounted to £7½ million in the same three years as Kenya, with under seven million people, was given £17 million worth of assistance. All that is done. The question now is how far the balance could, or should, be redressed.

NEW TEACHERS

(Entering service in maintained primary and secondary schools in England and Wales in the year ended March, 1961.)



Results of the recent pressure to persuade married women to return to teaching would scarcely be evident in the statistics for the year ended last March. Now that the campaign has been bolstered by the promise of surtax reliefs that will exempt many joint incomes, the authorities hope that the number of women re-entrants may increase substantially this year and, particularly, that they will emerge in the home counties.

As commitments stand at present, Kenya is due for grants of up to £13 million and loans of £5½ million, plus further assistance towards land settlement schemes. Tanganyika is due for grants of about £5 million; a loan of £2 million was issued in June; and further assistance is being haggled over. The amount Tanganyika wants is small; and the Colonial Secretary promised in March that the British Government would not be ungenerous. Over the next three years what is asked for, according to the Tanganyika government's report on its own development plan, is under £12 million—less than £4 million a year. The total cost of the three-year plan is estimated at £24 million, £6 million more than the World Bank thinks Tanganyika can afford to plan for. But Mr Nyerere confesses to optimism and, on the threshold of independence, who can blame him? Of the £24 million, £5 million is to be raised locally, £4 million is already available from the British Government; and £3 million is expected from "other sources"—like the Rockefeller and Ford Foundations.

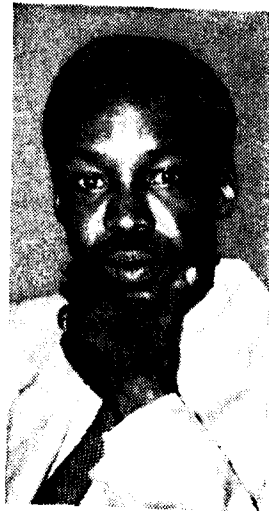
To judge from Mr Nyerere's bitterness when he left London a week ago the £12 million cannot be extracted from the British Government; the inference to be drawn from Mr Macleod's statements in Parliament on Tuesday is that it cannot, at any rate, be had for a year or two. Instead, East Africa's good boy has had to turn to America and Germany to see if his *pourboire* from the West can be made up to the amount he needs.

According to Mr Nyerere one argument put forward by the British Government was that Tanganyika is politically stable and therefore does not qualify for extensive aid. It is precisely because Tanganyika's stability is such a vital asset in Africa that it should be granted the means to develop its economy. The only practical argument is the Chancellor's new and necessary restraint on overseas expenditure. Is this particular cut really worth while—or fair?

ANGOLA

Rope of Sand

ACCORDING to the Rev. Michael Scott, just back from a refugee camp, about 128,000 Angolans have now crossed the Congo border. Mr Roberto Holden has put the Portuguese casualties at 2,000. The *Observer* correspondent estimates that



Mr. Nyerere:
Too reliable?

50,000 Africans are dead or missing as a result of Portuguese reprisals. All sources agree that the military campaign against the rebels has so far proved ineffective, that the settlers and the secret police have gone much too far in their panic reactions to the bloody revolt, and that the Portuguese-Angolan economy is suffering severely from the strain, especially as the greater proportion of the coffee-producing areas is in rebel hands. There is a legend to the effect that a mediaeval Michael Scott once set the devil to making a rope out of sand. Dr Salazar and his subjects seem to have found a similarly endless occupation—a full-scale colonial war.

Official Portuguese reaction to this has been negative for too long. Communist agitators are still blamed for launching and sustaining the rebellion, and the foreign press for presenting a distorted picture of it. Allegations of indiscriminate slaughter, however carefully based on eye-witness reports, are still dismissed as slanders. The Protestant missions and their pupils, where rebellion is thought to be bred, are harried. The secret police are active everywhere except in the north, where the army, the one relatively moderate force in Angola today, exercises some degree of restraint, at least in those places where it is genuinely in control.

It is still possible to hope, nevertheless, for some modification of policy in the direction of common sense. The unconvincing denials of forced labour in Angola, the rumour of trouble in Portuguese Guinea and Mozambique, even, perhaps, the growth of knowledge among the Portuguese at large of just what is going on in Angola, suggest, in their various ways, that circumstances could still force a change of heart. It is impossible, as yet, to foresee what the terms of a final settlement could be. But it seems clear that the term of Dr Salazar's policy of total repression is approaching; it has next to be seen if it is too late for an attempt at reform.

COLOURED IMMIGRANTS

Prejudice Street

NO harm at all has been done by the deluge of publicity that the tenants of Price Street, Smethwick, have brought down on themselves this week. The rent strike which they have called because they dislike having a Pakistani family as their neighbours in a slum clearance scheme is a small matter in itself: eviction notices will ensure that it collapses in a matter of weeks, if not sooner. The essential point about the drubbing that Price Street has received throughout the press and on television is that it should help to convince any racial dimwits and small-town bully-boys who may be watching that there is no ready mileage to be got from such behaviour. As it happens, the Smethwick councillors have shown up particularly well in handling the business. The restraint of Mr Sardar Mohammed and his family has

helped to discredit still further the prejudice surrounding them. The national reaction has been healthy, but it is important that in Smethwick (or anywhere else) the sense of outside support and sympathy for those bearing the brunt of racial discrimination should continue after the initial row has dropped out of the headlines.

This particular Pakistani family happens to be the only one to be included in Smethwick's present rehousing scheme: when the programme reaches the other end of the town many more Pakistanis will be affected. Although the Pakistanis have generally made their way successfully in industry in the Midlands (and are now said to restrict entry to some jobs in the foundries to their fellow-countrymen) housing is a more difficult problem that needs to be faced openly. There is a language and cultural barrier between the Midlander and the Pakistani that West Indians do not encounter to the same extent: practices like slaughtering hens in back gardens, and even the prevalent smell of curry on the stove, are matters which the ordinary Midlands housewife needs time to get used to. Sensitivity is all the more natural when people have just moved from slum dwellings and are determinedly displaying a new gentility of their own. The need is to instill a willingness to discover and understand other ways of life next door. This can never be induced by hysteria (which in Smethwick appears to have been deliberately stirred up) or by local authorities taking the easy way out and imposing unofficial segregation. The Smethwick authority cannot do better than stick to its guns.

CHINA

Unhappy Customers

MAKING more than 18 million tons of steel, as the Chinese communists say they did last year, is one thing; competing for export markets with advanced industrial countries is quite another. One of China's main difficulties in the export field is that its potential customers in south-east Asia have standards of quality formed by their long trading association with the West. They will not readily be satisfied with inferior machinery, for instance, even if the interests of political neutralism are served by purchasing at least part of their requirements in China. During the past few weeks, there have been rumblings of discontent from two of China's smaller but politically valuable customers, Burma and Cambodia.

Burma's dilemma is that the growing imbalance of its trade with China forces it to buy more from the Chinese, whereas they have little to supply at competitive prices. The imbalance has grown worse since the current trade pact was signed in January, and Burma is now exporting about twice as much (in value) to China as it is import-

ing in return. At the end of June, the ministry of trade development understandably instructed trade organisations to give preference to purchases from China whenever possible. There is, however, little enthusiasm for this course among the people who have to use Chinese equipment. Broken bolts, electric motors dripping oil, and shortages of spare parts have led to breakdowns in one of the two main spinning and weaving factories in Rangoon. The machinery for this factory had been supplied by China, which has still not delivered spares ordered more than a year ago. The other spinning and weaving factory, using Japanese and American plant, is in full production.

In Cambodia, a plywood factory built by the Chinese ceased production in April because the Cambodians preferred to buy imported plywood of higher quality, selling at lower prices than the home-produced stuff. A textile factory also built under the Chinese aid programme is losing money for the same reason. All these are symptoms of industrial growing pains, which may be protracted.

MEDICAL RESEARCH

Cold War Victory?

FOR nearly fifteen years a steady stream of volunteers has been given a fortnight's holiday, at the expense of the Medical Research Council, in an isolated hospital on the Wiltshire Downs. In return they have presented their upper respiratory tracts for experiments in the council's efforts to isolate the virus causing the common cold. Now there are some hopes that this exchange of board and lodging for drops in the nose may come to a triumphant end. In its latest report (Cmd 1422, 15s. 6d.) the council reveals that a major advance occurred in 1959-60. Quite by accident it was discovered that, in order to be cultivated consistently, cold viruses needed a more acid culture tissue and a lower temperature than are usual in similar experiments with other viruses.

Aided by this discovery, the Common Cold Research Unit of the council has isolated six distinct types of virus that can cause the common cold. These have been named the rhinoviruses, and they are believed to cause somewhere between a quarter and a half of all the upper respiratory infections which the layman simply calls a cold. The important question now is whether a vaccine can be produced from the six types of rhinovirus, or from groupings of them, which will give effective protection. The Medical Research Council is collaborating with Glaxo, Burroughs Wellcome and Pfizer in an attempt to produce an effective vaccine; but the council's report points out that if many more distinct types of rhinovirus are found to exist, the prospects of successful vaccination are not very good.

IRELAND AND EUROPE

Following the British?

Our Dublin correspondent writes:—

RETURNING from his talks in London, Mr Lemass has declared that an application by the Irish Republic to join the European Economic Community would follow immediately on a British decision to do so. Such willingness to follow a lead from London has hitherto been more usually associated with Belfast than with Dublin. But there is a surprisingly large measure of agreement that the Republic should act with Great Britain; more, that Irish interests will best be served by membership of EEC. The government will have little difficulty in obtaining parliamentary approval if and when an application is made to join.

No doubt the opposition parties will have more to say as the general election, expected in the autumn, comes nearer. In fact the issues involved were very fully discussed in 1957 over the original free trade area plan. It was apparent then, as now, that entry into a wider association would mean reduction of the very high tariffs which, in the early thirties, Mr Lemass imposed to promote industrialisation. It was also widely felt that free entry to the continental market would benefit agriculture.

British policy, however, remains a major factor. Slightly less than three-quarters of Irish exports go to the United Kingdom. Under existing trade agreements each country grants preferential treatment to goods coming in from the other. The preferences received by Irish goods are by no means as valuable as they were, granted the trend of British agricultural policy. Nevertheless, there is little disposition to risk their loss by joining EEC if Britain stays out. On the other hand, they will gradually lose their remaining value as Britain grants further privileges to its associates in EFTA. Irish membership of EFTA would bring no great gain as trade with these associates is almost negligible.

There are some doubts in Dublin on the amount of freedom that will be granted by EEC to trade in agricultural products; and more doubts as to the present ability of agriculture to use it fully. There will be hard bargaining over the length of time allowed for the reduction of tariffs. But Irish exports are expanding rapidly. Their value in 1960 was 14 per cent greater than in 1959; and in the first half of this year there was an increase of 20 per cent over the corresponding period in 1960. It is hoped that the British statement of policy will be both positive and definite.

Appointments, Business and
Personal notices and other
Classified Advertisements
pages 500 and 508

THE WORLD OVERSEAS



The winner

Sir Edgar's Referendum

FROM OUR SPECIAL CORRESPONDENT IN SALISBURY



Mr. Nkomo: the loser—temporarily?

A REFERENDUM campaign does not bring out the best in the Rhodesian character. The campaign which ended in Southern Rhodesia on Wednesday with a vote by about 60,000 Europeans and 6,500 Asians, Coloureds and Africans on the new constitutional proposals was by local admission the most acrimonious of them all. What is worse, the campaign has almost certainly done permanent damage to race relations, since Sir Edgar Whitehead's United Federal party has found itself fighting for votes on its right wing and has spent virtually no time assuring Africans that they will have a larger share in a brighter future.

The Southern Rhodesian government had a good case to put to its European electorate; and Sir Edgar, with his pipe and his two pairs of thick glasses as professorial props, has put it well. He has silenced his critics by offering them an enlightening lecture rather than controversial oratory; he has pleased his audience with gentle scorn of the British Government's ignorance of their country.

With the referendum won (the result is discussed on page 440), the party should give credit to him rather than to Sir Roy Welensky, who has been packing into his argument more emotional bulk than brain. Sir Edgar has been claiming that the proposals give Southern Rhodesia, a self-governing colony since 1923, virtual independence—that is, as much as is enjoyed by the states of Australia. He has wiped away clauses requiring any laws that technically discriminate against Africans to be submitted to the British Government, which has also surrendered its power to veto any legislation within its first year of enactment. After an extra three-month tussle with Mr Duncan Sandys, he extracted a written convention that the British Government would never legislate on its own initiative for Southern Rhodesia unless the country was in palpable chaos.

Sir Edgar has presented the enlargement of the 50-strong assembly to 65, to include Africans elected on a lower roll, as common sense rather than as the concession his right-wing Dominion party opponents would term it. The African MPs, he has explained blandly, will be good at constituency work. He has left it to his lieutenants to suggest, in language better understood by the fearful white Rhodesian, that "even if some extremists do get in, it is better to have them saying their piece where they can be shot down than in the back alleys of some township."

The Dominion party, led by Mr William Harper, has attacked from all quarters, realising that it is the party's last chance to gain the power which only the transferable vote system deprived it of three years ago. It has claimed that the reserved powers could have been removed without conceding any seats to Africans. On Mr Sandys's prompt denial, the party began scaring the electorate

with tales that a left-wing party with only one-sixth of the upper roll votes could win the next election and that Africans would swamp the polls within ten years. "Vote No or he will get no vote," shrieked a poster portraying a young white boy, hostage to this appalling fortune.

This made the UFP present its right side. Lord Malvern, veteran among prime ministers, was brought from retirement to rumble "rubbish" at ideas of being swamped, or of compulsory social integration, and to point out that "Southern Rhodesia will in spite of the changes still be the most difficult country in the Commonwealth in which to become a registered voter." It was spread about that the government could and would eliminate the 15 lower roll seats if Africans "proved unco-operative." A clever series of newspaper advertisements urged that voting "No" would create a "no-man's land" where economic depression would leave ghost towns of abandoned playgrounds and deserted villas. The Federation itself would probably break up.

Another three European-led groups, disturbed by all this alarmism, have taken separate paths. The liberal Central Africa party eventually stuck to its support of the proposals because the alternative of a Dominion party government was too disastrous for it to contemplate. Several of these liberals, after many disappointments, cling to the belief that the government can be reformed "from alongside if not from inside." They are strengthened in this hope by the remarkable success of Mr Victor Tarica, a university lecturer turned bookseller, who in two years of organisation round the wards has turned the Salisbury city council from reactionary ridicule into a progressive body. Slightly further left, the New Opportunity Group, linked with the former premier, Mr Garfield Todd, has urged a "no" vote, denying that this would bring in the Dominion party and relying on tattered hopes that Britain will acknowledge its moral responsibility to three million subjects and institute democracy here through a second constitutional conference. The United Group, a collection of paternalists, much heartened by alliance with the ex-federal chief justice, Sir Robert Tredgold, has campaigned for racial harmony and hoped in a rather old-fashioned way to gain it on the strength of their leaders' honoured names and a gift of ten seats to Africans.

These last three groups have one thing in common: they all acknowledge that which side wins is of no account unless any new constitution is accepted by a significant part of the 93 per cent of the population who are African. Sir Edgar claims that his proposals have considerable support already among Africans and will gain more when their benefits are tasted. To many Africans this sounds suspiciously like what was said of federation eight years

ago. The National Democratic party, hampered by the strictest of security laws, did all it could to publicise African alarm that Britain should be handing over nearly all remaining power to the settlers.

The struggle between Sir Edgar and the NDP president, Mr Joshua Nkomo, seems temporarily to have been won by the prime minister. A three-day general strike largely failed because the NDP leaders decided only on the last day to defy the laws openly, and by then their supporters had been dispirited by two disorganised days during which clandestine orders caused only confusion. Worse still, from the point of view of world consumption, the charge of intimidation so often levelled by the government at the NDP was made to stick on some party members during pathetic fights between strikers and workers.

Less convincing was Sir Edgar's mockery of the NDP's own referendum for not being made foolproof against multiple voting or incomplete secrecy. More than 300,000 Africans walked miles last Sunday to express their deep discontent with the government by means of their first ballot tin. As they queued patiently they did not offer lucid criticisms of the White Paper: they complained of unemployment, bad housing and of having to exchange, under the Land Husbandry Act, some well-prepared acres for "land where the beetles bore."

Sir Edgar proved himself a clever tactician in reaching referendum day without having to arrest the NDP leaders. But any praise for his political strategy should be reserved for a few months. He forced the NDP leaders into open defiance of the law and both sides have now to face the unpleasant consequences of that collision. The toll of four Africans killed and hundreds arrested is hardly a good advertisement, and the deploying of 24,000 troops and police round the townships and country suggests that the government doubted its own claim to be opposed by only "a small band of agitators." The United Nations has fewer troops in the Congo. A general strike for a large minimum wage increase, to be organised by the African trade union congress next month, will be a tougher test of the government's strength. Sir Edgar has won the referendum and his virtual independence from Britain, but his problems are still ahead of him; and their number has been increased by the way his party has fought the campaign.

Two Moroccan Worlds

FROM OUR SPECIAL CORRESPONDENT

AMERICANS, as they consider what they are giving up in Morocco and what it is costing them, in hard cash, to give it up gracefully, may be forgiven a touch of impatience at the sight of France sitting tight at Bizerta, cost what it may in political goodwill or diplomatic convenience. Neither for its position on the Strait of Gibraltar, nor for its long Atlantic coastline opposite their own, could the Americans very well contemplate a Morocco in hostile hands.

Their air bases in Morocco, built in the early nineteen-fifties under agreements with the French, were designed (like Bizerta) not to hold the country but to make strategic use of it. Since then Morocco has become independent, and the United States has made alternative air and naval arrangements in Spain. Still, the installations in Morocco remain a valuable part of the American strategic chain, and the United States Navy and Air Force would have liked to hold on to them. But Moroccan feelings had hardened against it, and the Americans decided that the political drawbacks outweighed the military advantages. President Eisenhower, when he visited the late King in December, 1959, agreed that all the American installations should be evacuated by the end of 1963; and this withdrawal is now going on by stages.

No doubt the American military presence had something to do

with the fact that Morocco, up to last year, was getting as much American aid as the rest of Africa put together. Neither this, nor the flow of foreign exchange and of desperately needed employment which the bases brought, inclined the Moroccan government to ask the American forces to stay. Both sides, however, are fairly clear that the loss of their bases will not enable the Americans to treat Morocco with indifference. When the Moroccans found themselves this spring facing an agricultural crisis, it was to the Americans that they turned, and the United States has responded with wheat and animal feeding stuffs to the value of \$23 million.



Maghreb men: Mr Bourguiba, King Hassan II, Mr. Ferhat Abbas

Behind this gift are crop failures for 1961 that are variously estimated between two-thirds and three-quarters; and the grain is being used to relieve acute distress among the peasants. The talent of Moroccan politicians for presenting a hastily-improvised relief scheme as a far-sighted programme of public improvement makes it hard to tell precisely what happens. It appears that some of the grain is simply handed out as a dole. But public works and agricultural improvement schemes are being hurriedly set in motion in the worst-hit areas; workless peasants are enrolled in the schemes, and are paid partly in kind.

Freakish weather, such as has damaged this year's crops in parts of Europe and of the Mediterranean basin—drought at growing-time, unseasonable storms during the ripening period—is the immediate cause of Morocco's present agricultural distress. Among the impressive paper reforms announced since the new government took office on June 2nd is the abolition of the *tertib*, a tax on agricultural output which it is customary to blame on the French occupation, though in fact it was introduced by the last independent Sultan, Moulay Abd-al-Aziz, in 1901. As the government pointed out when it decided to do away with this tax, the *tertib* has been retrograde in its effects and tends actually to discourage higher yields. Further (to quote the minister of information, Mr Ahmed Alaoui, on June 20th), the whole policy of concentrating on industrial and urban development has tended to leave the rural population, some 79 per cent of the whole, outside the "modern" sector of the economy. For this, he suggested, French policy during the protectorate was to blame. What was wanted, he said, was an agricultural community advancing at the same pace as the modern sector, and able to provide the broadly-based mass of purchasing power without which the industrial sector could hardly flourish.

Nothing (apart from the jibe at the French, which convention dictates) could be more enlightened or more true. All that has really happened, however, is that the agricultural economy has come as close to collapse as an agricultural economy can come, and it has become quite impossible, in large areas, to go on collecting the *tertib* at all. Mr Reda Guedira, the minister of the interior and of agriculture and possibly the key man in the new King's new government, complained on June 29th that, during the years 1955-1960, the first five years after independence, while the area under cultivation had been extended, agricultural output was no higher than it had been twenty years before; and in many regions, yields were actually going down. All this was before the agricultural collapse of 1961. Thus Moroccan agriculture was completely failing to meet the requirements forced upon it by the country's dynamic increase in population, now running at about 300,000 a year in a country of 11,650,000 people. And the average peasant was unemployed on 200 days a year.

Again as convention prescribes, Mr Reda Guedira announced in

the same speech a vast new scheme to deal with the problem—nothing less than the mobilisation of all men between 18 and 30 for compulsory labour service, so that a huge programme of necessary agricultural improvements (water and soil conservation, irrigation works, tree-planting, pest control), big enough, he said, to occupy a million and a half labourers for thirty years, could be put in hand at once. Philosophically speaking, everything Mr Guedira said was just as true as everything Mr Alaoui had said ten days earlier. In sordid fact, however, what has happened is simply that the state of agriculture has become too pressing a matter to be passed by in silence, and has forced the government to make a gesture of concern. How much action will follow, or how little, nobody knows.

It is, of course, "traditional" agriculture that is in such a mess, and to which Mr Guedira's appalling statistics apply. Relatively small areas of land, in large parcels, continue to be profitably cultivated by the modern agricultural enterprises, established mostly with French capital and expertise; these provide high yields and, in such sectors as citrus fruit, buoyant exports. These enterprises even provide steady employment and, since the withdrawal of French authority left them exposed to the full force of union pressure, relatively high wages. In the traditional sector, by contrast, the peasant community turns in upon itself and survives by cultivating for subsistence, until a major crop disaster leaves no recourse but to look for outside aid.

Thus the peasant community, the majority of the people of Morocco, reproduces in itself the strange division of an ancient and a modern economy living side by side which makes a journey through the country such a remarkable experience for the European tourist. Outside the walls of the old Moorish towns, the *nouvelle ville* is forbiddingly new, planned and prosperous. Within the walls, children spin wool in dark back rooms, jellabas are woven and stitched, copper is hammered, leather stamped, cedar-wood planed and carved, iron wrought, slowly, patiently, and by hand. What is traditional and admired in Arab taste and craftsmanship survives with more vitality and in greater perfection, by far, than anywhere else in the Arab world. Unlike most Arab peoples, the Moroccans are actively attached to the traditional things and the old ways of making them; yet, like the others, they desire to be a modern community possessing the outward marks, as well as enjoying the benefits, of technical progress. The sudden withdrawal of French authority six years ago did not resolve the dilemma which any tourist can see implicit in the rich Moroccan scene. It was not to be expected that it would. But the Moroccan leaders have employed these six years in discovering that their country's economic and social progress had not, as they thought, been artificially held back by foreign rule, and would, therefore, not automatically leap forward. The way forward is something they still have to find for themselves.

Epitaph on Bourguibism

FROM OUR PARIS CORRESPONDENT

BOURGUIBISM may well prove one of the casualties of the battle of Bizerta. The name of the Tunisian president—who can combine fiery Arab oratory with the bargaining skill of a Mediterranean merchant—had become a symbol. Bourguibism stood not only for skilful diplomacy and the art of compromise; it also stood for moderation and collaboration with the West. Habib Bourguiba used to be opposed to Abdul Nasser as the other pole of the Arab world. He never concealed that his great ambition was to sponsor a North African federation and keep the Arab West, the Maghreb, within the western world through association with France.

The Algerian war stood in the way of such a policy; so did a strange French reluctance to use President Bourguiba's services. Undismayed, the Tunisian leader made a supreme bid, five months

ago, to achieve his aim. On February 27th he was General de Gaulle's guest at Rambouillet. It was obvious then that he was playing a risky game for high stakes. The nationalist tide was running against him. The Congo crisis had widened the gap between the moderate and the militant nations of Africa. Mr Bourguiba had to contend not merely with President Nasser. His two potential Maghreb partners—the Moroccans and the Algerian insurgents—joined the militant Casablanca group. Tunisia, which had stuck faithfully by Mr Hammarskjöld, was left in the moderate camp together with those ex-French colonies of black Africa that were still in the French orbit. It was falling increasingly under the suspicion of "collusion with neo-colonialism."

In spite of this, or rather because of it, President Bourguiba intensified his efforts. At Rambouillet he pleaded with his host to bring the Algerian war to an end rapidly. He argued that France's reward for a wise and generous policy would be the preservation of a privileged economic—and probably military—position throughout North Africa. Thanks to this association, France should also be able to keep a hold on the remaining African members of its community. Mr Bourguiba must have been satisfied with the general's response to this Mediterranean vision, since he afterwards paid public tribute to General de Gaulle's "spirit of decolonisation" and urged his Algerian "brothers" to show similar understanding. What has happened, within less than five months, to lead from the euphoria of Rambouillet to the slaughter of Bizerta?

The reasons are complex and the answer must still be tentative. The Franco-Algerian negotiations, started at Evian and resumed last week at Lugin, did not proceed as fast or as well as Mr Bourguiba had expected. On their own behalf, too, the Tunisians felt disappointed. A farcical dispute about the French embassy's wall in Tunis prevented an exchange of ambassadors. The Tunisians concluded that unless one banged on the table one could not get a hearing in Paris; and they badly needed some concessions to restore Tunisia's anti-colonial reputation. The base of Bizerta was the obvious one. This does not mean that by the middle of this month the Tunisian leader had written off his gaullist gamble and admitted the bankruptcy of bourguibism. If he had decided on such a reversal of policy he would not have simultaneously staked claims to the Sahara that were bound to put him at odds with the Algerian insurgents. He seems to have been moved to action by a mixture of reasons that included disillusion with the French, nationalist pressure and a miscalculation about French reactions. Once the Tunisians decided to press for the evacuation of Bizerta and the French turned a deaf ear to their demands the situation was clearly explosive. But it seems certain that when President Bourguiba triggered off the conflict on July 19th he did not foresee how violent the French reaction would be.

A provisional list puts the number of Tunisian casualties at 670 dead and 1,155 wounded. French losses are estimated at 30 killed and 50 wounded. But the loss to France is incomparably greater. It cannot be measured by the threat now hanging over the 60,000 Frenchmen who have remained in Tunisia and over the still important French interests in the country (one of the first Tunisian reprisals was to seize the Edjele-La Skirrah pipeline which was carrying Saharan oil at an annual rate of 9 million tons). All Franco-African co-operation is at stake. The bourguibist doctrine that there is a third way between colonial subservience and intransigent nationalism has been undermined. And this may rapidly have repercussions throughout French-speaking Africa.

M. Bechir Ben Yahmed, the influential editor of the lively Tunisian weekly *Afrique-Action*, which has recently been preaching peace in Algeria and Franco-African collaboration, now draws a bitter lesson from the events at Bizerta:

Any co-operation with the West—a *fortiori* any form of association or alliance—cannot but be tainted with neo-colonialism. As such, it is humiliating for the whole of the under-developed countries, sterile and harmful for the country which accepts it.

This almost sounds like a funeral oration on bourguibism and, indeed, there are signs that the doctrine is being buried. M. Masmoudi is negotiating an imminent resumption of diplomatic relations with Egypt. The Arab League has welcomed its prodigal son, returning after three years of absence, and has promised Tunisia the help of its volunteers.

President Bourguiba is still trying to salvage something of his previous position. The cease-fire, sponsored by the Security

Council, has given him a respite. He is using it to find a diplomatic solution and has called Mr Hammarskjöld to the rescue. He is appealing to his Anglo-American friends to use their good offices to persuade the French to open negotiations for the evacuation of the base at Bizerta. His son, the Tunisian ambassador in Washington, urges "the free world to act before another world intervenes. . . ." The Russians, while backing the Tunisian case, show no zeal in assisting a man whom yesterday they treated as a lackey

The Eurocrats

FROM OUR BRUSSELS CORRESPONDENT

THE new civil servants of the European Economic Community in Brussels receive more British callers nowadays than they used to do. But their visitors are for the most part journalists absorbed in some particular economic or political question; few have had time to take a comprehensive look at the new bureaucracy scattered in four impersonal white office blocks throughout the city. Yet these new 'Eurocrats' are worth taking a look at.

Many visitors have been struck by two obvious qualities in the best of them; their 'European' spirit, and their dynamism. Although the internal structure of their organisation in any case prevents them from ganging up into national cliques, it seems true that they really do largely forget questions of nationality while on the job. Very often one can't tell what country they come from until one hears their accents. But by now the game of guessing national stereotypes is over in Brussels, and the general impression is one of offices filled with multilingual tough-minded Europeans mostly aged around 35-40. No doubt they include a certain amount of dead wood and they may have been 'Angries' in their adolescence, but now they are convinced they are doing something worth while: Europe's Sanguine Young Men.

At the beginning of 1961 the Commission was 1,846 strong; it does not expect to grow much bigger unless it acquires other member countries. France, Germany and Italy provide a quarter each, the other quarter being drawn from Benelux, which shares out its 25 per cent by separate internal agreement (in fact Belgium gets more than its proportion, as a good deal of local labour is naturally recruited for the minor jobs). Heading the Community are the nine Commissioners; although some of them were formerly ministers in their own governments, and all are appointed by the member governments, they are entirely independent once the appointment is made. According to the Treaty of Rome no more than two of them may have the same nationality, and each of them heads one of the nine divisions of the Community: external relations, finance, internal market, competition, labour, agriculture, transport, overseas development



and administration. Working under each commissioner is a director-general of a different nationality and so on down the scale of the three administrative grades; a complex system of balances ensures that the work is fairly divided. The Community is aware that this structure does not make for flexibility, and it is not inevitable for an Italian, for example, to replace an Italian in any particular sector; but if he is followed by, say, a Dutchman, then fairly soon in some other sector one Dutchman less and one Italian more will be given precedence.

When the Community was set up in January, 1958, several of the six governments supplied lists of men from their own national bureaucracies, thus providing a large proportion of the total initial staff. Other candidates proposed themselves by personal application to the Commission, and this is the only method of recruitment now used.

There is as yet no entrance examination, but according to the personnel statute due to come into force by January 1, 1962, an examination similar to that required by the Coal and Steel Community in Luxemburg will be instituted. The Commission prefers candidates who are university graduates with a few years' experience in jobs, not necessarily in the civil service. The present staff includes former university teachers, bankers, industrialists and others. (The transport division, for example, includes an ex-manager of a Rhine shipping firm, and the labour

division an ex-official of the International Confederation of Free Trade Unions.) They are almost all technocrats; recruits with a background of the humanities or classical studies alone are very few. Though the Community contains many federalists, neither the political affiliation nor the religion of recruits is inquired into. But unlike most Protestants or Jews in the Community, the Catholics tend to be practising rather than nominal. In Luxemburg the Catholics belonging to the Coal and Steel Community even have their own chapel; some have felt that this increases the sense of community, whereas sceptics have been heard to murmur that it is a way of keeping tabs on the *non-bien-pensants* who fail to turn up to Mass.

All men in the top 'A' grade must be proficient in a second language. French and German are most used, though all four official languages (Dutch, French, German and Italian) have equal status. The corps of translators number 140, and includes several British and other non-Community nationals. Apart from them, the 'A' men in Brussels belong exclusively to the Six, except for one lone Englishman who has been in the Community from the start. Women of 'A' rank are exceedingly rare, possibly because they are not tough enough to stand the pace or the long office hours (8.30-6.30), which are, however, considered fairly normal on this side of the Channel.

If Britain joins, its nationals will, of course, have something to say about all these arrangements and will have the right to ask for modifications. Some here feel that the organisation is already complex and unwieldy enough without the added complication of the British; delighted at the way in which the new Community is striding forward in the economic field, they are impatient at its painful inching along on the political front and they fear that if Britain joins, bringing with it not only the Commonwealth but most of the European Free Trade Association, the whole undertaking may become unmanageable. Even the dynamic Eurocrats have come to have something of a vested interest in the existing framework for their dynamism. Yet the entry of Britain could put this Little Europe into a better perspective; and with a combination of the best brains of the Six and of Great Britain, the organisation could be a determining factor in the history of our century.

of imperialism. And President Bourguiba shows no haste for Algerian or other foreign volunteers to fight a new battle.

But there is another side to the story. The cease-fire is precarious. The other recommendation of the Security Council—that both sides should return to their previous positions—is interpreted in diametrically opposite ways by the two protagonists. The French have no intention of evacuating the base and official Paris shudders at the very suggestion of Anglo-American good offices (which remind them of the fall of the Fourth Republic), or any other. Washington has no wish to quarrel with a Nato partner when a Berlin crisis seems imminent. Where, then, can President Bourguiba look for western support? Few observers in Paris believe that the Franco-Algerian talks at Lugrin can now provide a by-pass to reconciliation. Yet, if the western powers do not help the Tunisian leader to stage some spectacular recovery, the bullets of Bizerta will have written an epitaph on bourguibism that western statesmen may not enjoy reading.

Beyond the Berlin Gate

FROM OUR BONN CORRESPONDENT

BONN, as everybody knows, is a four-letter word—to some people a very dirty one indeed. It has the chief qualities of a good expletive, loadable at will with anger, derision, or contempt. More: unlike most imprecatory monosyllables it can be used in the headlines without shocking aunty or corrupting the kids. To the harassed journalist, juggling with space, it is, like the word

"Krupp," a veritable god-send. A single recent issue of the leading east German communist daily, *Neues Deutschland*, spits out the amazing revelations that "Bonn pays head-money for traffic in humans; Bonn demands unconditional surrender to common market; Bonn pays terrorists in Alto Adige; Bonn spies in Yugoslavia." That so circumscribed and somnolent a town can be up to so much mischief is intriguing.

But the communists' rage against Bonn is understandable. Just at the moment when their combined voices are loud in demand for world-wide recognition of the fact that there are two German states, the one they are rooting for, the Democratic Republic, is looking wretchedly unconvincing. Die



Arrivals at Marienfelde

Welt's cartoonist drew this week a column of refugees pouring endlessly from a distant line of barbed wire, behind which Mr Khrushchev ruefully contemplates the deserted scene, and asks: "Whom am I supposed to be making a peace treaty with?" Herr Ulbricht's natural reaction to the latest exposures of his weakness has been to intensify the barrage of hate against the capital of the other German state, which, for all its shortcomings, is on a much sounder political and economic footing. How humiliating at this moment to be offered five thousand tons of butter by, of all people, Dr Adenauer.

Striking examples of the main sources of the discontent that impels so many citizens of the Democratic Republic westward are continually cropping up. West German opinion is much exercised at present by the kidnapping of Heinz Brandt, a west German trades union journalist. Herr Brandt, a former Communist who spent ten years in Nazi prisons and concentration camps, lived in east Berlin after the war until he quarrelled with the party and went west in 1958. Early in June he travelled by air to west Berlin to report a union conference. Naturally, he had every intention of avoiding east Berlin. No more was heard of him until June 16th, when the east German news agency announced that "the spy Brandt" had been arrested while working for "a western intelligence agency" in the neighbourhood of Potsdam. The west German metalworkers' union, who are as convinced of Brandt's innocence as they are of his punitive abduction, are doing what the east German public would so often like to be able to do—namely, asking why the man was arrested and on what evidence, and where he is.

The east German regime's oppressive jealousy of all inspiration and organisation other than its own was conspicuously demonstrated during the Evangelical Church congress held last week in west Berlin. The affiliated meetings that were to have taken place in east Berlin were banned, and hundreds, if not thousands, of east German Protestants on their way to the Berlin gathering were turned back at the border. *Neues Deutschland* accused the chairman of the German Evangelical Church Council, Dr Scharf (a pacific man who lives in east Berlin) of being "an apostle of the 'front-line-city' policy," and of "acting on behalf of a militaristic church that advocates the Nato solution for Berlin." A catalogue of the possessive state's interference in public and private life would never end. The portentous propaganda with which the pushing about is excused makes it all the more irksome to the adult citizen. Over the past seven years 16,000 teachers have left east Germany, 15,536 engineers and technicians, 11,705 students, 3,110 physicians and surgeons, 1,224 dentists, 901 dispensing chemists, and 658 solicitors. This month alone, another 24,000 of both sexes and all trades have arrived at the west Berlin reception centre. They are being flown to the Federal Republic at the rate of 1,000 a day. About three-quarters of the arrivals are under 45. Happily, 570,000 jobs are still going begging in the golden west.

The motives for flight are naturally often mixed. The spiritual malaise caused by the all-pervading oppressiveness of the political atmosphere is aggravated by the unabating irritations of a dreary diet, sudden shortages of simple things like needles, and travel restrictions. It has been a bad summer in east Germany. The farms have not yet recovered from their precipitate collectivisation, partly because too many land workers have quit, partly because many of the dispossessed become obstinate and decide to work industrial hours themselves. There are the usual queues for fresh fruit and vegetables. Supplies of margarine have run short; the butter allocation has been fixed at 200 grammes a head a week. Even bread and potatoes have been rationed in some places. Last year's proud promise of abundance and surplus round the corner has died away.

Many of these are standing grievances. This summer's increase in the flow of refugees must be attributed mainly to what the Germans call *Torschlusspanik*, the anxiety, or hysteria, engendered by the prospect of being too late to get through a gate that appears about to close. Believing, as they have believed before, that the west Berlin gate may soon shut for ever, thousands of east Germans are surreptitiously on the move. But there is no evidence of any recrudescence in east Germany of the desperate, militant mood that exploded in the rising of June, 1953. At least, not now. But who can be sure what might happen should the gate in fact close, and should conditions in the Democratic Republic worsen?

AMERICAN SURVEY

Berlin and Beyond

WASHINGTON, DC

PRESIDENT KENNEDY has faced this week the familiar problem of leadership in a democracy: how to arouse the public without alarming it and how to stir Congress to action without manufacturing a false crisis. The calm, sober tone of his address to the nation and the limited, though costly, scope of his military recommendations to Congress reflected Mr Kennedy's fundamental conviction that the Berlin problem is not an isolated crisis likely to lead to a single dramatic climax but is only part of the worldwide confrontation between the two power blocks and is not likely to be resolved soon.

The President's proposals for increasing airlift capacity, for raising the army's strength from 870,000 to a million men and for modernising its non-nuclear weapons are measures which he and his military advisers would favour even if there were no immediate crisis over Berlin. These are desirable for their own sake to build up the country's strength in conventional arms; they have been taken secondarily for their impact on Russian opinion and least of all for their effect on American opinion. Each of them, it may be noted, also serves to implement the Administration's determination to strengthen the North Atlantic Alliance, an aim of Mr Kennedy's policy from the first. Calling up the reserves, which had been considered, found little favour in the final round of decision-making because the masses of men in the National Guard would be of no use at this juncture and because the proclamation of a state of national emergency, which would have been required before they could be called up, was thought to be needlessly inflammatory. The increase in conscription for the regular army, combined with the ordering to active duty of reserve air transport and tactical air squadrons, was thought to be a less cumbersome solution for the manpower needs of the forces. However, the President asked Congress to give him authority to call up 250,000 members of the reserve forces if he feels that this is necessary during the coming year.

In marshalling public opinion Mr Kennedy was helped by the fact that to most Americans Berlin is comparatively familiar ground. Unlike Laos or the Congo, where the geography and the personalities are unfamiliar, and unlike the nuclear test ban treaty, with its baffling technical complexities, west Berlin seems to the man in the street a comprehensible and straightforward question. Only a small faction on the extreme right still worries the bone of why the United States and its allies permitted themselves at the end of the war to be tied down in a city surrounded by Russian-controlled territory. The anomaly of west Berlin's isolation is accepted as an inevitable trick of fate, and most people assume that if the Russians were not making difficulties over Berlin they would be making them over something else. The President expressed this view when he said "The source of world trouble and tension is Moscow not Berlin. And if war begins it will have begun in Moscow, not in Berlin." It is a short step from this generalised view to the conviction that a military threat to Berlin is the same as a menace to Paris, London or New York and must be resisted with equal firmness.

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.

In the United States there is very little of the anti-German attitude and war-bred resentment that colours feeling in western Europe about the problem of Berlin. Except for a relatively small segment of pacifist and liberal opinion, west Germany is accepted fully as a military ally and the commitment to defend west Berlin is unquestioned. The basic reason for the extraordinary uniformity of opinion on this question is that the American people learned well, perhaps too well, the lessons of Munich; rarely in history can a spectator have taken so much to heart the wisdom to be derived from the errors of others. Now that the United States plays one of the two principal parts on the world stage, Americans are determined not to repeat the mistakes of the Chamberlain era in their dealings with another dictator. There are no harsher words in the American political lexicon than "Munich" and "appeasement." The people have been told so many times that dictators respect only force in being and that preparedness and a firm policy would have stopped Hitler and prevented the war that they respond instinctively in these terms to any menacing gesture by Mr Khrushchev. President Kennedy's speech was in this central tradition, which dates back to Roosevelt's speeches on the eve of the war and the "Truman Doctrine" of 1949.

It is difficult to estimate how deep and how steady is the willingness to risk nuclear war over Berlin, since the very logic of the analogy with Munich persuades most people that military strength combined with a policy of firmness will make war unnecessary. However, since most Americans have never known the devastation of war at first-hand and the character of nuclear warfare seems unreal, their national optimism and self-confidence would probably enable them to follow the President without panic to the brink of war, should that ever prove necessary. Only time can tell whether the construction of fall-out shelters in public buildings, which the President suggested should be initiated on a modest scale, will alter the popular mood. The President and his advisers think that an accelerated programme of civil defence will make it clear to the Russians that the American government takes seriously the possibility of war, but it is also conceivable that this same programme, by shocking many people into an awareness of what a nuclear war might mean, may soften public opinion.

MR KENNEDY took care on Tuesday night, as he had done in his press conference the previous week, to stress the importance of working in co-operation with America's allies. Here he was helped by the fact that Americans are much more alliance-minded on European issues than they are on questions arising elsewhere in the world, particularly in Asia. British criticisms of American policy toward Communist China only arouse resentment, but the man in the street is more open to British and other allied arguments on Berlin. In spite of the prevailing desire to talk tough and call Mr Khrushchev's bluff, Mr Kennedy was not speaking to deaf ears when he counselled patient moderation as well as firmness and expressed renewed willingness to seek political solutions. Although basically the President said nothing that had not been said before by his predecessors, he went further than had been expected at this time in trying to calm any legitimate Russian fears when he said:

We recognise the Soviet Union's historical concerns about their security in central and eastern Europe, after a series of ravaging invasions—and we believe arrangements can be worked out which will help to meet those concerns.

Most observers are of the view that the President chose just about the right time to speak out on Berlin. On Laos, where it was contemplating possible military intervention last winter, the Administration was far ahead of public opinion, which was apathetic and confused. On Cuba, on the other hand, public opinion ran far ahead of the Administration in its eagerness to smash Dr Castro by military force. That is why Mr Kennedy followed his half-hearted initiative of April with a speech of dazzling but empty bombast and then with a deep and, he hoped, calming silence on all things Cuban. On Berlin, opinion has neither lagged behind nor outrun the President. The people have been waiting for a lead and Mr Kennedy, within broad limits, could have turned them in any direction he chose.

The President has been remarkably free of congressional harassment in making up his mind on Berlin. At one time Senator Dirksen and Representative Halleck, the leaders of the Republican minority, were under some pressure from within their own ranks to produce a party manifesto sternly pointing out the dangers of appeasement and warning the President of dire retribution if he did not stand firm against the blandishments of the Russians. But neither of these party stalwarts has his heart in issues of foreign policy, and former President Eisenhower had no great difficulty in persuading them, during a conference at his Gettysburg farm earlier this month, that they would serve their party and their country best by simply keeping quiet about Berlin.

Senator Cooper of Kentucky, Mr Kennedy's closest friend in the opposition party, soon afterward made a thoughtful speech noting that an attitude of firmness, while all very well, is not in itself a policy. Senator Kuchel of California, the assistant minority leader, has struck the useful if familiar note of bipartisanship in a time of crisis. Mr Nixon, in his new series of newspaper articles, has been more hectoring in tone but, lacking any specifics, his admonitions to the President boil down to the stock phrase: stand firm.

The Democrats, for their part, have naturally deferred to the President. When the Soviet ambassador, Mr Menshikov, was reported to have said at a party that the American people would not fight for Berlin, the members of the House of Representatives took his remarks so seriously that they rushed in with a resolution assuring him that the contrary is true. But otherwise the House and, to an almost equal extent, the Senate have abdicated to the President their policy-making role on major foreign issues such as Berlin. Congressional reaction to the President's speech indicated that approval of his request for an increase of \$3.5 billion in military funds was virtually certain.

The British response and reaction to the President's lead are discussed on page 438.

Critical Days for Aid

ALTHOUGH the President did not fail to include an appeal for his foreign aid programme—and for his stranded Bill to aid education—in his speech on Berlin, it would be optimistic to conclude that the Soviet Union has once more saved the foreign aid programme. Some members of Congress who will not hesitate to vote for more money for defence feel that other spending should be cut accordingly. This is particularly true in the House, where opposition was already strong to the President's request that Congress should give up its year-by-year control over development loans for foreign countries. The Administration feels that it is hardly reasonable to ask undeveloped areas to initiate far-reaching social and economic reforms if the loans on which they count may dry up overnight. It is asking permission to spend \$8.8 billion over the next five years. Normally the authorisation Bill for foreign aid, which Congress is now considering, merely sets a ceiling and the actual amounts which may be spent are fixed by the

appropriations which are granted at a later stage. This year it is the authorisation Bill which may have the last word over much of the spending.

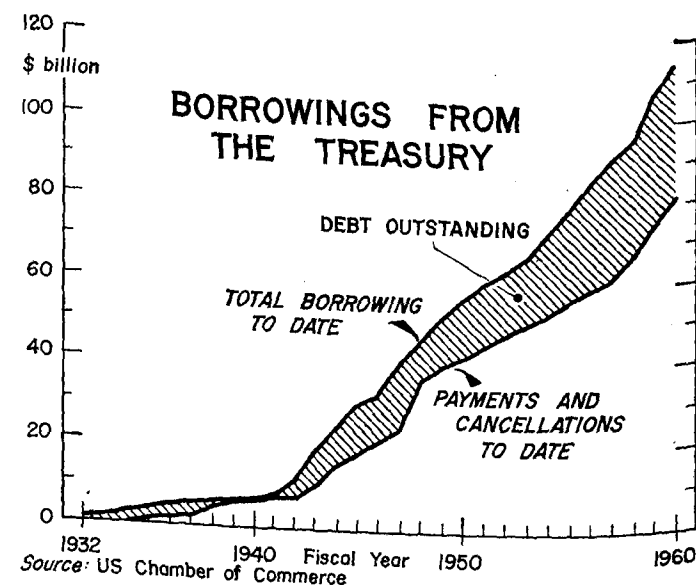
No one will be able to accuse President Kennedy of not fighting for the principle of long-term financing. He has been pulling out every stop in a series of meetings with members of Congress; he has been on the telephone to others late into the night; and he has encouraged the formation of a Citizens Committee for International Development to bring pressure to bear on the legislators. Behind the scenes the State Department has been organising meetings all over the country with leaders of local opinion. Last week the President tasted the first fruits of these efforts when, by a vote of 10 to 7, the Senate Foreign Relations Committee accepted, without any material change, the President's proposal that he should be allowed to borrow \$7.3 billion directly from the Treasury for development loans and use another \$1.5 billion in repayments of earlier loans which are expected before 1966.

The next hurdles will be higher. Voting in the House Foreign Affairs Committee—which has been held up to allow pressure for

"Backdoor" Spending

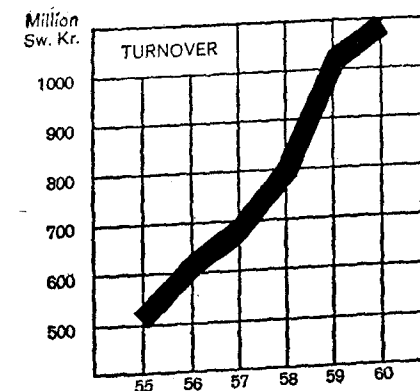
THE financing of government activities, chiefly lending programmes, by direct withdrawals of funds from the Treasury is of long standing. Its great virtue in the eyes of its advocates is that once permission for this has been obtained from Congress there is no need to submit every year to the penny-pinching of the appropriation committees. Borrowing from the Treasury—usually through an "authorisation to expend from public debt receipts" which permits the Treasury, in its turn, to borrow the money from the public—began in 1932 when the Reconstruction Finance Corporation was trying to keep hard-pressed business firms afloat with loans. As the loans were expected to be repaid congressional appropriations seemed inappropriate.

Since then "backdoor spending," as the conservatives like to call it, has been used to finance houses for both servicemen and ex-servicemen, for agricultural price supports and for the Export-Import Bank's loans to foreign traders. Recently it was incorporated in the legislation to aid depressed areas. In all, \$140 billion in such authorisations have been placed upon the books of the Treasury; \$114 billion of this has been used; and \$65 billion has been paid back. Another \$16 billion has been forgiven by Congress. Conservatives regard the evasion of the appropriation process as iniquitous, even when applied only to domestic programmes, and they have tried unsuccessfully to outlaw it.

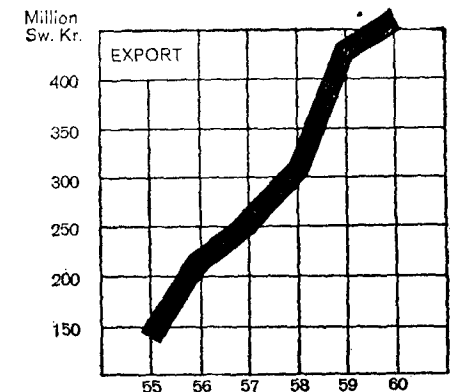
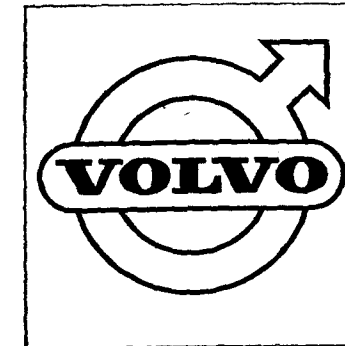


VOLVO

diagrams



Volvo Group turnover during 1955—1960



Volvo Group exports during 1955—1960

The total value of the Volvo Group exports during 1960 was Sw.kr. 548,500,000 (£38,100,000), i.e. 4.7% of all exports from Sweden. A total of 48,452 vehicles was exported.

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long-term financing to have its effect—may begin late this week. The chairman must do his best to secure approval of the full five-year authority since on the floor determined attempts will be made to reduce this to three or even two years. Even in the Senate debate which begins next week, Republican votes will be needed to offset the expected defection of almost all the conservative Democrats from the South. One possible compromise, which has been put forward by Senator Dirksen, the Republican leader, and accepted tentatively by Senator Mansfield, the Democratic one, involves the creation of a congressional watch-dog committee for the development programme; this might reassure Republicans who fear that they are being asked to give up all control over it. Some such compromise should not be beyond the wit of Americans when so many of their leaders—including former President Eisenhower and Mr Nixon—are convinced that a longer-range foreign aid programme is essential.

Budget under Pressure

THE proposals in Mr Kennedy's report to the nation last Tuesday piled additional troubles on an already troubled budget. When the Treasury made up its books for the fiscal year which has just ended the deficit turned out to be a good deal larger than had been expected three months ago (\$3.9 billion instead of \$2.2 billion). And this was a year which originally looked like producing a surplus of \$4.2 billion and which, as recently as last January, seemed to promise a balanced budget. In the final accounting total revenue was fractionally below that of fiscal 1960, while expenditure had climbed by \$5 billion.

	1959/60		1960/61		
	Actual	Jan. 1960 estimate	Jan. 1961 estimate	Mar. 1961 estimate	actual
Receipts	77.8	84.0	\$billion 79.0	78.5	77.6
Expenditure	76.5	79.8	78.9	80.7	81.5
Balance	+1.2	+4.2	+0.1	-2.2	-3.9

Even before this week's changes the budget for the present fiscal year contained an estimated deficit of \$3.7 billion (or \$4.4 billion if the proposal to raise postal rates is turned down). Now the President has asked Congress to authorise an additional \$3.5 billion for defence—the third such increase since January. He has not proposed any immediate increase in taxes to offset this additional outlay (a course of action that the Treasury was reported to favour), but he will do so next year if the rise in federal revenue falls short of current hopes. There were strong political arguments for raising taxes now rather than later: this would have conveyed effectively the desired sense of urgency to the American people as well as giving substance to the "sacrifices" that the President has been calling for for months; and it would have been easier to get Congress to agree to higher taxes in the heat of the moment.

But the economic merits were more debatable. Some economists claim that any additional excess in government spending will set the inflationary ball rolling. Others see it as a timely way to get the unemployed back to work and to increase economic activity, profits and therefore federal revenues. After some hesitation Mr Kennedy has accepted the latter view and, since he has raised the estimate of this year's deficit to only \$5 billion, he is clearly taking an optimistic view of the effect of heavier defence outlays on the flow of revenue into the Treasury's coffers. For the moment at least, hopes of lowering tax rates in the fiscal year starting next July, which were hinted at by Mr Douglas Dillon, the Secretary of the Treasury, only a few weeks ago, have receded into the background, particularly as the President has set his heart on a balanced budget in 1962-63.

Success at the Treasury

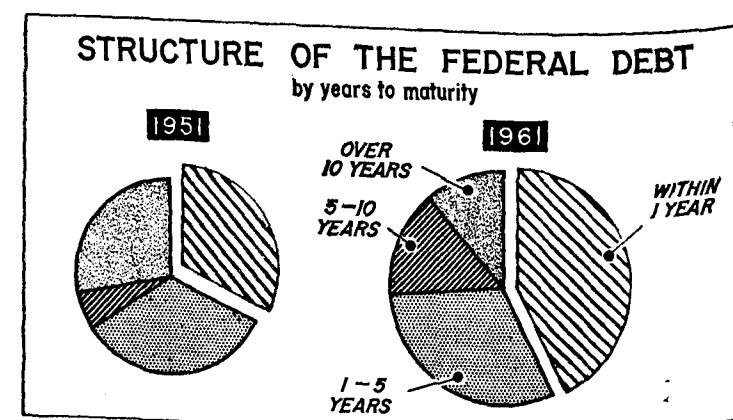
FROM A CORRESPONDENT IN NEW YORK

WHILE the Treasury is experiencing difficulties in gaining control over the federal budget, it is demonstrating both boldness and skill in its management of the public debt. This is clear from the success of last week's financing, which involved raising \$3.5 billion in cash and refunding \$12.5 billion of maturing obligations—one of the biggest operations of this kind on record. The Treasury deliberately increased the size of this refunding by including all issues maturing between August and October, evidently reasoning that as the amount was so large already a little more would not matter, and that one big package was preferable to repeated trips to the market. It offered a choice of three issues with maturities ranging from 15 months to six and three-quarter years at yields (from 3½ per cent to nearly 4 per cent) that the market found attractive. With the Federal Reserve System maintaining a policy of easy credit, the refunding went smoothly; the Treasury announced that it will have to redeem only \$732 million of the maturing securities, and it managed to attract \$745 million into the longest-term issue.

By sweeping up all the near-term debt, the Treasury has put itself in a much better position to consider the best means of financing the deficit which is expected during the present fiscal year. At the same time it has avoided any marked impact on interest rates or on the psychology of investors who had feared unsettled conditions and a sharp rise in rates. Its success is due partly to a willingness to experiment, partly to a professional "feel" for the market (provided mainly by Mr Roosa, who came from the New York Federal Reserve Bank to handle the Treasury's monetary affairs) and partly to the central bank's decision to abandon its "bills only" policy in favour of the more flexible technique of dealing in the entire range of government securities.

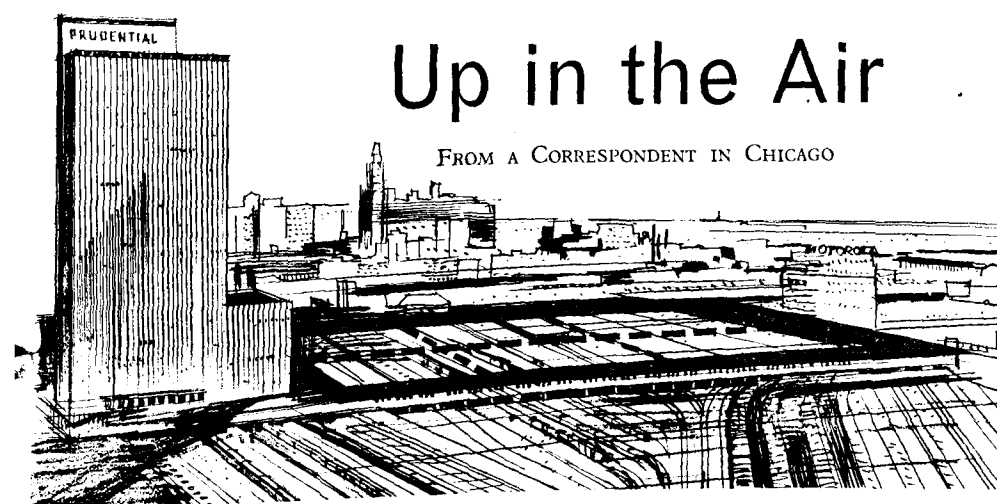
Apart from its own efforts—and the assistance of the central bank—the Treasury's debt managers have been helped by the fact that large corporations have been investing their growing surplus funds in government securities. Such buying will not, of course, solve the Treasury's problem of increasing the average maturity of the debt, which has been shrinking rapidly. It has been hard for it to sell long-term bonds ever since 1951, when the Fed ceased to support the market for them.

But the increasing concentration of issues in the short-term area is a potentially unstabilising factor, and there are some indications that the Treasury is preparing to tackle this hurdle. It has disposed of the controversial ceiling on interest rates—which forbids new obligations of more than five years maturity to be offered at a coupon rate of over 4½ per cent—by informing Congress that it would, if necessary, offer issues at a discount. And the suspicion is strong that the Treasury undertook its mammoth refunding last week in order to clear the way for a long-term offer to the holders of existing securities.



Up in the Air

FROM A CORRESPONDENT IN CHICAGO



WHEN Queen Elizabeth first saw Chicago from Lake Michigan two summers ago, the shimmering aluminium, glass and stone façade of the Prudential Plaza must have been one of the first things to catch her eye. It represents the beginning of a building boom in the second largest of American cities. More particularly, it was the first concrete evidence of renewed interest in a largely untapped source of space for new buildings in Chicago—the rights owned by the railways over the space above their permanent way.

The Prudential Plaza rises 41 storeys above a tangle of lines which are part of the passenger and goods yard of the Illinois Central Railroad; these lie along the lake front. The Prudential Insurance Company of America purchased the air rights and completed this office building in 1955. Now five other similar projects are planned, including one which, as the sketch shows, is to go up next to the Prudential Plaza; this is the proposed Illinois Centre, a 60-storey office and hotel complex, on which work is due to start in eighteen months.

The latest and biggest of these projects, which was announced just last week, has an international flavour. City Centre Properties Ltd. of London and a group of New York investors headed by Mr Erwin Wolfson, which together are putting up the Pan-American Building over Grand Central Station in New York City, are to co-operate equally in erecting a complex of office buildings costing close to \$200 million. The concerns have bought a 70-year lease of the air rights over the permanent way and covered passenger platforms on the north and south sides of Chicago's big Union Station. Work on part of the project will begin before the end of the year.

Construction began last winter on the Marina City project. It will combine office space and luxury flats in a pair of unusual towers on the north bank of the Chicago River at Dearborn Street, over the lines of the Chicago and Northwestern Railway. Coming soon is a 750-room hotel over the main right of way of the Illinois Central near the lake front just south of the Loop (the heart of the business district). It will

serve the new exhibition hall completed last year. And negotiations are under way for the air rights for a block of flats on the far edge of the same railway yards, nearer the lake. Private investors are financing the ventures.

The scarcity of land in the centre of the city is the principal reason for this rush to acquire air rights. While smaller cities such as Cleveland are still dotted with car parks and even with vacant plots close to the centre of things, the down-town area in Chicago is crammed with skyscrapers and frequently even the car parks are multi-storey buildings. Inside the Loop, which is less than a mile square, there are a number of relatively small old structures. But it is far from easy to buy out all the owners on a site large enough for a major building. Recently an insurance company had to design its new office around a tiny dingy bar whose owner was persuaded to sell only at the last minute.

But scarcity of land is not the only important reason why air rights are being developed in Chicago. The city is the country's railway capital; it has more than half a dozen big passenger stations, not to mention goods yards. Many of the desirable sites for new buildings are occupied by railway lines. The Illinois Central switch yard, by itself, probably gives Chicago greater possibilities for the development of air rights than any other city. The yard, which contains only low warehouses in addition to the permanent way, occupies 80 choice acres along the lake next to the central business district. The second-biggest of the five air rights structures, the \$150 million Illinois Centre, will cover 18 acres near the Prudential Plaza. Even with the block of flats planned for this area the Illinois Central estimates that there will be 27 acres left within a 10 to 20 minute walk of LaSalle Street, the Wall Street of the mid-west.

It costs more, naturally, to build on air rights even though there is usually less demolition of old structures to do than on an ordinary site. The railway lines make it difficult to move heavy construction machinery about and the concrete supports for the buildings must be arranged so that

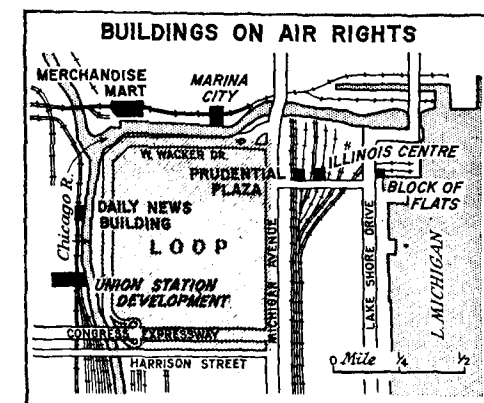
they will not obstruct the trains. But the price paid for the purchase or lease of air rights is lower than that paid for other desirable sites so that the costs, as a whole, work out about the same.

The use of air rights is not completely new. Other cities, notably New York, have buildings over railway lines. And even in Chicago builders tapped this source of space as early as the nineteen twenties though only for two structures: the massive Merchandise Mart north of the Chicago River and the Daily News Building around the bend of the river just west of the Loop. But the depression of the nineteen-thirties discouraged further pioneering and this has revived only with a new boom in office building.

This boom has been a long time in coming to Chicago, primarily because so much office space was provided after the war by the re-modelling of old structures, mostly department stores and warehouses. Now, however, the steel and concrete skeletons of new buildings promise about 3 million square feet of extra office space. This is more than has been added through new construction in the decade and a half since the war.

Such growth is in step with the demand for desirable office space. This is going up steadily, basically because the rising standard of living of Chicagoans means that more services are required—from the government, banks, insurance and communications companies and advertising agencies. The growth of industry since the war has also increased the need for office space. There has been a substantial rise in the proportion of white-collar jobs in manufacturing; in the steel industry, one of Chicago's biggest businesses, it has grown from 12 per cent of the total twenty years ago to 23 per cent today.

New buildings in themselves have great attractions for big corporations. The Inland Steel Company, for example, first planned to rent new quarters when it outgrew its old ones a few years ago. In the end it chose to build and now it has a luxurious structure bearing its name which also is, incidentally, a monument to the material it produces. New buildings not only publicise a company's name and catch the eye of workers who are scarce—such as secretaries—but they also make it possible to provide for future growth. Space can be let to other firms until it is needed. The present boom also reflects at least a partial reversal of the flight to the suburbs by big business.



Warfare Over Welfare

THE little town of Newburgh, New York, 60 miles up the Hudson from New York City, has declared war against the welfare state and has attracted the sympathetic interest of many taxpayers and of local governments all over the country which are struggling to fit the heavy costs of public assistance into their thin budgets. Newburgh, a city of 31,000 people, has had about 1,380 of them on its relief rolls; out of its total budget of \$3 million, \$1 million goes on various welfare schemes, although over half of this is contributed by the federal and state governments. What makes matters seem worse is that few of the recipients are natives. Many are Negroes or Puerto Ricans who were brought in to harvest fruit on nearby farms and who decided not to go home, although there is little year-round demand for so much unskilled, uneducated labour. There was hardly anywhere for these people to live, either; they had to crowd themselves, three or four families to a house, into the oldest part of town. Violence and immorality followed; property values sank and white people began to move out.

The city itself turned a blind eye while this was going on but, when it became a matter of raising the rates 30 per cent to meet the cost of assistance, the city manager drew up a 13-point code to trim the relief rolls. It provides, among other things, that able-bodied men receiving help must work for the city or lose their assistance; that payments will not be made for more than three months of any year; that no one giving up a job voluntarily or refusing work of any kind may receive assistance; and that unmarried mothers who continue to give birth to illegitimate children shall cease to receive help.

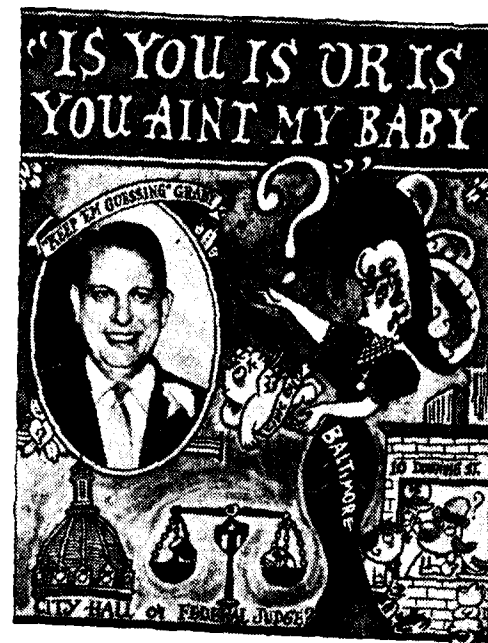
This code went into effect two weeks ago, to the plaudits of Senator Goldwater and other extreme conservatives, although the city's Welfare Commissioner resigned rather than administer it, although Negro organisations condemn it as racially discriminatory and although the state welfare authorities declare that it contravenes both federal and state laws. For example, Congress has passed legislation denying federal aid, under the scheme to help dependent children, to states where there is discrimination against illegitimate ones. This means that New York State as a whole may lose up to \$200 million a year in federal grants. Moreover, Newburgh's claim that it is particularly hard done-by is disputed and so far it has been able to find only one man on assistance who can be put to work. The legal merits of Newburgh's protest will be decided in the courts but it draws attention to a real problem. America can well afford to look after its poor and afflicted, but towns and cities which are confined almost entirely to a property tax can be swamped financially by tides of unskilled and needy people flowing into them.

Room on the Bench

FROM A CORRESPONDENT IN BALTIMORE

WITH an unprecedented number of seats to be filled on the federal bench—93—as the result of deaths and resignations and the recent creation of 73 new judgeships by Congress, there is turmoil in the interlocked worlds of law and politics. Few of the appointments are expected before Congress rises, since to have such patronage in hand can win many valuable votes for the Administration. In any case, it takes time to choose “the best men available” from the point of view not only of legal qualifications, but also of race, religion, political affiliations and acceptability to the Senators who must confirm the nominations. Something which is almost a caricature of what the President has to cope with in making these appointments can be seen in Maryland, where local politics are old-fashioned, rough and wide open.

The central figure here is Mr Harold Grady, a large, amiable man of forty-four, a Democrat elected two years ago as Mayor of Baltimore on a platform of reform and now aspiring to a place on the federal bench with half his term as Mayor still to run. Mr Grady defeated his predecessor, an able machine politician, in the contest for the Democratic nomination and a popular Republican in the election itself. As Mayor of a city which re-



Yardley in the Baltimore Sun.

turned Mr Kennedy by a handsome margin last autumn and thus ensured that he carried the whole State of Maryland, Mr Grady has claims to consideration by the White House, although locally it is doubted whether he had much to do with the votes gained by the President in this heavily Democratic and Roman Catholic area. Mr Grady's former supporters are largely disillusioned by his blandly ineffectual performance in office and he is having trouble with his reforming partners in the city government. Mr Goodman, President of the Council, seems to be helping Mr Grady to a judgeship because he wants to be Mayor himself. Mr Grady's other running mate is the Comptroller, Dr Graham, a multi-millionaire who seems to be opposing a judgeship for the Mayor partly from cantankerousness and partly because he likes Mr Goodman even less than he likes Mr Grady.

Also involved are several more would-be Mayors, the Governor of Maryland, Mr Tawes, who would prefer to have Mr Grady out of City Hall before he himself runs for a second term, and the leaders of the various bar associations, whose recommendations are supposed to have a decisive effect on judicial appointments. The city and state bar associations pointedly omitted Mr Grady's name from their lists of potential judges, although he has been endorsed by three minor local groups of lawyers. One most influential voice still to be heard is that of the American Bar Association which, it is reported, is unlikely to approve Mr Grady, if only because he has never appeared in a federal court and is unfamiliar with federal procedure and civil law. On the other hand, he had a distinguished record at law school and was an agent of the Federal Bureau of Investigation before becoming State's Attorney for Baltimore.

Throughout the spring Mr Grady denied that he had judicial aspirations, though he was known to have interceded with members of Congress and others whose advice will be taken when the judges are appointed. “No comment” greeted the suggestion that he had visited the patronage advisers in the White House. But Dr Graham, the guardian of the city's purse, remarked that on the day in question the Mayor's official car had travelled 123 miles though he had no official engagements; after that it was confirmed that Mr Grady had crept into 1600 Pennsylvania Avenue by the back door. Since then the presidential doormat has been worn thin by the feet of Maryland Democrats of all groups and factions, all anxious for pressing reasons of their own that Mr Grady should or should not become a judge.

HOME REPORT

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

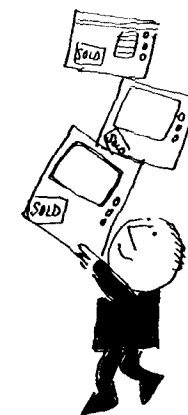
Christmas In July

FROM OUR CORRESPONDENTS

THIRTY hours before the Chancellor's hatcher-work began the papers were loud with the news that he would be carving chips out of so much dead wood: it was said that the prescience of the British public had led it into a luxury spending spree of tremendous proportions and millions of pounds had been gobbled up in exchange for such necessities of life as new cars, old cars, television sets, whisky and cigarettes, washing machines and refrigerators. But this was not everyone's impression. The largest London stores stoutly maintained that there had been little extraordinary trading done in the previous week. The Retail Distributors' Association merely allowed that there might well have been an increase over the month, but even if this was not due solely to the summer sales just ended, the extent of tax-beating buying had undoubtedly been exaggerated.

Among those said to have been overwhelmed by a panicking citizenry were the secondhand car dealers, one of whom “had not had so much business for months.” But wider inquiry tended to elicit not-too-polite suggestions that someone had been having someone on, that business was as bad as it had been for a year or more and likely to continue that way. Nor was the sanctuary of the wine merchants' shops noticeably disturbed by frenzied hush of the wine-drinkers unable to bear the thought of another half-crown bottle. London, at any rate, did not seem unduly anxious; possibly because Londoners are neither thrifty nor impoverished. The retail trade figures alone will settle the matter.

Elsewhere, however, reactions were more lively. At this time of year the Scottish cities take their fortnight's industrial holiday, and the expectations of the retail trade are not over-ambitious. But from Glasgow a brisk trade was reported in such household goods as vacuum cleaners, refrigerators and washing machines; so much so that one big store expected to be reduced to wrappings and sawdust by Wednesday. In Aberdeen the reputed canniness of the inhabitants was confirmed by news of “fantastic sales, like a Christmas rush” in the middle of what should have been the worst retail period of the year. Only the car dealers were without comfort: people had, indeed, been asking about cars—but no one was driving away in a panic. Whisky and gin were being bought by the case, but, as in London, there was no clamour for cigarettes, the ineluctably rising price of which seems to be



be up by fourpence to 4s. 6d. for twenty that afternoon. The car dealers were still glum.

Such rush as there was may have been the result of a popular misapprehension about the likely effect of the new regulators. Promised a 10 per cent rise in purchase tax and excise duties, many people naturally deduced that a tax of 50 per cent would be increased to 60 per cent, and one of 5 to 15. Only the more sophisticated grasped that the 10 per cent was of the tax itself, so that 5 per cent became 5½ per cent.

AT seventeen minutes to four on Tuesday the Chancellor struck—but nothing was to come into effect until midnight, and most increases not until Thursday or Friday. If the rising sales of the day were an indication of true hysteria, the afternoon shops should have been jammed with people and the car dealers should have been telephoning for immediate deliveries. But the spree had shot its bolt. Nothing happened.

The retailers who did see the crowds believe that spending which would normally have been done over the next three or four months was advanced, where it was possible, to take advantage of the lower tax; and many stores expect a gloomy quarter, when stagnation may be broken only by the approach of Christmas. By that time smokers will ungrudgingly be paying 4s. 6d. for their daily twenty, motorists will be uncomplainingly filling up at 4s. 10½d. a gallon, whisky-drinkers will be suffering mild euphoria at 40s. a bottle and barflies will be unaware that beer was ever less than 1s. 7d. a pint. But very few people give cars for Christmas, and the motor dealers could still be gloomy.

Theatre All Round

FROM OUR SPECIAL CORRESPONDENT

THE lugubrious plight of the English provincial theatre, detailed and documented by an Arts Council report* this week, is familiar enough to the determined theatregoers who still patronise (with a fierce but hopeless loyalty) its dim and quaking premises. But the majority of the provincial public does not, and probably will not ever, care: it will not be ruffled now even by denunciations of “artistic slums” or of the provincial barbarism that earns the Arts Council's conclusion that the intelligent foreigner can discover “little of

significance and interest outside London.” As any intelligent foreigner has discovered for himself, Bruddersford's theatre is probably as run-down as its football stadium; the state of mind that bleakly puts up with either tends to be beyond self-help.

The capital and instructive point, however, about the spreading tundra of telly-land is just how little money is in fact needed to set the theatre, that increasingly minority art, back on its shaky provincial feet. The message of the Arts Council's

report should not merely be addressed to the Treasury and the local aldermen. Just 2d. or 3d. on Bruddersford's rates could do wonders, of course, but if that is unthinkable to subsidised householders it is high time the point were driven home to other potential patrons. Development councils, regional planners and industry-begging municipalities have still to be persuaded that if they are to get, or retain, the intelligent young people or the executives that

* Housing the Arts in Great Britain: Part II.

they and their areas have grumblingly lost to London for two generations they will have to have something to offer besides advance factories. If the chance is not taken while a struggling nucleus remains it will not recur.

The Arts Council's committee of inquiry has set out the minimum requirements both for touring and repertory theatre. For touring companies in opera, ballet, and West End stage productions a circuit of between 12 and 18 "No. 1" theatres, each capable of seating an audience of 2,000, is essential. A number of suitable, if antiquated, provincial theatres exist, although often devoted to variety, but there is nowhere outside Manchester and Liverpool that can cope with the Covent Garden Opera. Again, as Mr Stephen Arlen, administrative director of Sadler's Wells, has pointed out this month, provincial closures have also driven his company out of wide sections of the country.

He referred particularly to the area between Leeds and Newcastle, to which other blank zones are regularly being added: the sale of the Theatre Royal, Hanley, to Mecca Ltd. at the end of June has now shut out the Potteries. (There is a case for making it harder to change a theatre's function—at least to give the local authority time to act if it wants to.) As an imaginative but desperate resort Sadler's Wells is seriously considering the continental idea of a "balloon" theatre (capacity 1,800) which would be inflated on vacant provincial sites. Performers may find it less of an insult (and inconvenience) to appear in a Big Top than in some of the dingy barns they now have to use.

For repertory the committee aims at providing first-class theatres (capacity 800-900) in the main cities or "catchment areas" in the next ten years. Eight of these centres have built, or have serious plans to build, good premises (although capital expenditure promises to be appreciably above Nottingham's estimate of £380,000 which the committee seems to accept). This leaves another six or seven to be started in the badlands. The development of an existing theatre at Newcastle-on-Tyne is recommended, and Hull probably ought to have a repertory theatre of its own. Other towns, however, could conceivably work in pairs if that is the best they can do, particularly Leeds and Bradford, Stoke-on-Trent and Newcastle-under-Lyme, and Portsmouth and Southampton. (None of these cities, with populations ranging up to Leeds's half-million, currently sustains a professional repertory company.) The ideal would be to provide a circuit which the better companies could use, improving both their performances and receipts by longer runs. Postwar repertory



has proved a sturdier growth than most of its critics allow: with more encouraging premises and amenities its worries could be halved overnight.

Further to shame the Aldermen Bugginses, the committee lists fourteen other towns (in the 180,000-80,000 population range) which do not even have suitable accommodation for orchestral performances. Some of these places—Oxford, Cambridge, Bath—are not without cultural pretensions: what they do to sustain them is a very different story. Sunday afternoon concerts in the local picture palace is not the most rewarding musical experience, whatever the dons may believe. The northern choral societies have a little more pride in themselves.

How can change be brought about? The committee looks for financial help from the Chancellor to the extent of £150,000 a year, two-thirds of which would be to provide capital for new theatres and concert halls, and one-third for refurbishing and renovating existing buildings. This sum could be administered either by the

Arts Council itself or a national theatre trust. It is not an amount that could normally be thought beyond the Treasury's resources; in fact, it looks to be something of the order that Mr Lloyd promised to the provincial theatres earlier this year.

But any help from the centre must be meaningless unless it serves to prime the local pumps. The committee recalls the statutory power of local councils to allocate up to a 6d. rate (4½d. in Scotland) for sustaining the arts. How little is actually done is revealed by the following sample figures of local expenditure on all artistic ventures, including dubious museums, river carnivals, bandstands and the rest:

	Product of 6d. rate	Annual expenditure on the arts
Leeds	166,650	18,313
Newcastle-upon-Tyne	117,600	4,830
Leicester	115,500	319
Coventry	113,898	5,150
Nottingham	112,050	15,098
Portsmouth	99,990	1,601
Southampton	90,810	1,020
Stoke-on-Trent	69,426	3,862

Precisely how small the margin of help need be to allow a repertory company to struggle on has been shown in Dundee (the Scottish towns are outside the present report), where the local council has made a grant this year of £1,500 together with a further guarantee to make up losses to another £1,500. This will cost the town less than ½d. on the rates. The arrangement (for one year only) came in the nick of time: if the council could bring itself to offer twice as much over a specific period it would go a long way towards putting the theatre on its feet permanently. When so little can sustain a company that has not only produced its quota of famous names but given Dundee a life and status it would not otherwise possess, the moral ought to be observed more widely—and purposefully.

The Mersey Molehole

FROM OUR SPECIAL CORRESPONDENT

IN the last few miles of its course into the Irish Sea the River Mersey spreads itself into an estuary, over a mile wide, dividing Lancashire on its right bank from Cheshire and the Wirral peninsula on its left. Facing each other across this divide lie Liverpool and Birkenhead, each with its attendant minor boroughs. Linking them in commercial symbiosis are a network of ferries and the single umbilical cord of the Mersey Tunnel.

Until 1885 there was no direct crossing. But the squalid blooming of Liverpool as a great port and the rise in popularity of the Wirral as a place to live in had made some sort of swift link essential, and in that year the Mersey railway tunnel was completed, taking most of the passenger traffic

from the overworked ferries. Tradespeople, however, had still to cope with the cycle of delays and haste which characterises even the best of ferries; and by the early years of this century there was a general and sustained clamour for better communications between the two towns. By 1920 the despotism of the internal combustion engine had aggravated the situation: ferries were crammed with vehicles and loads and streets were choked with waiting traffic.

The administrative machinery for the building of a crossing was started in 1922 with the formation of a joint Merseyside committee to decide on its form and to inquire into the possibility of a federation of Mersey authorities (which last was defeated by staunch parochialism). Consultant

engineers were employed, and on their recommendation a tunnel was decided upon, the idea of a bridge having been rejected on the grounds of its vulnerability in war-time and the expense of its upkeep and building. The first hole was bored in 1925, the beginning, so it was imagined, of a cure for all the ills of Merseyside.

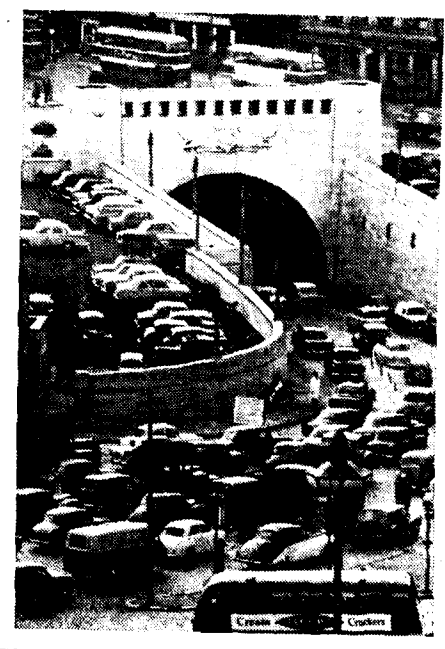
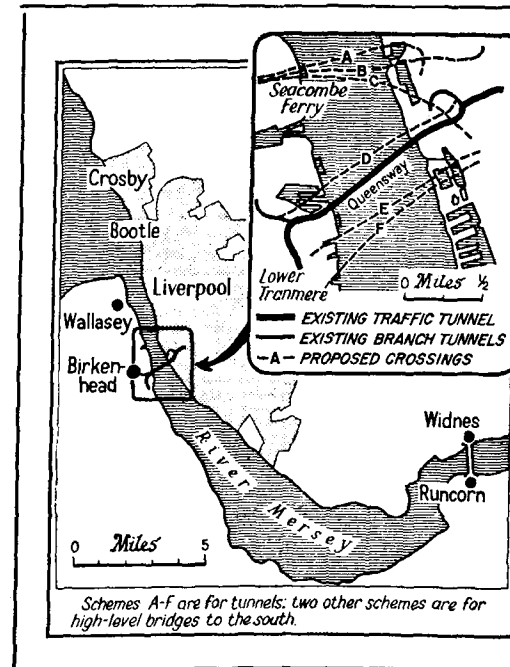
Much, however, was unforeseen. The costs of construction rose regularly, the government was unhelpful until late in the decade and only Liverpool and Birkenhead collaborated in its building. Eventually opened in 1934, it had cost £7.72 million, of which the government's share was £2.5 million, Birkenhead's £55,500 and Liverpool's £5 million. And no sooner was it opened than estimates of its useful life were being revised for, instead of being timelessly adequate for the traffic between the towns, it attracted more traffic, and was soon taking more in tolls than had ever been planned. By 1958 the toll revenue was three times what had been estimated, over £1 million a year, and traffic was passing through it at the rate of 44,000 vehicles a day.

Every year the traffic through the tunnel increases by 10 per cent, and during rush hours, a sixth of the day, over a third of the daily traffic is carried. The ultimate capacity of its four carriageways is rapidly being reached. The necessity for each vehicle to stop, pay its toll and start up again imposes delays. The sale of contracts at a rate which, taken at two trips a day, is cheaper than the payment of individual tolls has made matters worse. There are 6,000 contract users who, to make their contracts worth the money, must use the tunnel twice a day—and some of them use it six to ten times a day. This adds 15,000 journeys a day to the total flow, perhaps half of which are unnecessary.

A new crossing is urgently needed, and the Merseyside authorities, overcoming their veiled repugnance for each other, met in 1958 to decide what form it should take, asking the consulting engineers who had been responsible for the planning of the original tunnel to report on the possibilities. Their conclusion, presented last year, details eight schemes, each a compromise between what is desirable and what can be afforded.

The first three plans, all twin four-lane tunnels (marked A, B, C, on the map) leave the Cheshire bank at the same point, Seacombe Ferry, and emerge at points in Liverpool all of which are open to criticism on the ground of congestion; and they would, in addition, be completed just in time for the additional facilities they offer to be inadequate for the conditions they are designed to alleviate in 1967 (when traffic flow will be nearly twice as heavy as it is now). They are also expensive, the cheapest of them (including extensive access road works) estimated at £20.4 million.

The fourth, scheme D (the one most favoured by the Merseyside authorities), would be a two-lane link between the branch tunnels which at present take traffic from



the main existing tunnel to the dock areas on either side of the river. This has the advantage of cheapness (about £9 million) and swiftness of execution: it could be completed by 1966—also just at the time when its capacity would be too small.

The fifth and sixth schemes (E and F) are new twin tunnels. Scheme E is expensive, offers very small relief to present problems, and would be out of date on completion. Scheme F is even more expensive, though it does offer greater reliefs, and again could not be built in time to be useful for more than a year or two.

The seventh and eighth schemes, in the southern area, are both bridges, of six lanes each; they would be the most expensive undertakings, but would offer at least the consolation of being adequate to the demands made on them for five or six years after their completion—or so it is thought (and that the thought may not be an accurate one is suggested by the overwhelming flow of traffic on the brand new Runcorn-Widnes bridge 10 miles upstream).

VERY boldly, the consultants have outrun their brief and suggested that, in the light of their findings, none of the plans examined would be adequate by itself. Their conclusion has been that their own favourite, scheme G (not shown on the map), a high-level bridge between Tranmere and a point about a mile to the south of the present tunnel entrance, should be combined with the palliative of Scheme D, the linking of the two existing branch tunnels, giving an increased capacity of something like 9,000 vehicles an hour, fitting in admirably with the road improvements planned on both sides of the river and retaining their usefulness as far ahead as 1979. There is, however, the matter of financing such a combination: the bridge alone would cost £27 million, and the combined scheme no

less than £36 million. There is also opposition to a bridge of such a size and construction from the Mersey Dock and Harbour Board (which believes that silting and consequent damage to its installations would follow) and an oil company, across whose tank farm the bridge would pass.

The prospect of the Government paying for a crossing or even of aiding its construction to any great extent is, in present circumstances, remote. In the queue for crossing grants the Severn, Forth, Tay, Tyne, Clyde and Thames have all got ahead of Merseyside; and the squabbling and disagreement between the nine authorities concerned with Merseyside have not been helpful. Indeed, it has been hinted that the Government might be persuaded to grant aid to the project only if some firm collaboration between the authorities can be arranged. So far, Wallasey will only support one of the northern schemes; Liverpool and Birkenhead are prepared to co-operate on this as they did on the previous tunnel; the two county councils concerned are not interested enough; and the smaller authorities, who will benefit least, are willing to leave it in the hands of their big brothers. On the grounds of cheapness, expedition and the unwillingness of others to contribute, Liverpool and Birkenhead are likely to plump for Scheme D, by itself the least satisfactory of the proposals. Such an error could be avoided only by a really far-sighted decision.

When *The Economist* went to press this week representatives of all the authorities concerned were meeting in Liverpool in the hope of setting up a joint council to decide the future crossing's form. It is hinted that such a co-operative effort would attract the favourable attention of the Ministry; and that the favours might extend to a 75 per cent grant. In it, too, may lie the seeds of that far-sighted decision: the eventual amalgamation of Merseyside into one local authority.

LETTERS

Leasehold in Wales

SIR—As a member of the Welsh League for the Taxation of Land Values, I should like to reply to your article "Wales on the Lease," of July 22nd. The various "leasehold reform" organisations in Wales are vaguely aware that an injustice exists, but none (especially the MPs who have been recently jousting on the issue) has come up with any satisfactory solution. The reason is that they fail to get the problem of leasehold into its proper national perspective of soaring land-values, and so their solution of "reasonable redemption" is at best unconvincing and at worst an attempt to replace one injustice with another.

The only equitable solution is an indirect one: the taxation of land, whether freehold or leasehold, nationally. This will not prevent land values rising, since land prices depend on supply and demand; but it will return to the community community-created land values and leave landlord and tenant with no pickings to argue over. This would lead to a decay of the leasehold system altogether, and it would be replaced by a just and logical system in which the state appropriated all land values but left the individual the absolute right (as opposed to the present restrictionism of both leasehold and freehold schemes) to develop land in the most economic way possible.

Thus it will be seen that the real problem underlying the leasehold system in Wales is by no means a local one; it is even more pressing around London than around Cardiff, except that it is not recognised as such.—Yours faithfully,
FREDERIC J. JONES
Cardiff

The Economist's New Home

SIR—The consumer durables boom of the late fifties could reasonably be encouraged because many of its products could be exported; the present building boom is not quite so desirable, because very few of its products will be exported.

The higher Bank rate that you recommend will cut down on building. Still, let us be clear about this; the income-producing buildings, such as offices, will not be checked as much as bond-financed buildings, such as schools. This is a pity, because while a three-year delay in putting up *The Economist's* offices will cause a relatively short-term inconvenience, the products of cheap and nasty education will be walking round in forty or fifty years' time.—Yours faithfully,
TREVOR LLOYD
Northwood, Middlesex

The Economist

JULY 27, 1861

PAUCITY OF POLITICAL TALENT

THE retirement of Lord John Russell from the scene of action in which he has so long been so distinguished, from the scene which he so much loves,—the retirement of Lord Herbert from an assembly which always listened to him with pleasure, though he never rose to address it without reluctance,—cannot but raise a very serious question in the minds of thinking men:—Why have we so few statesmen of eminence in the House of Commons? Great man after great man passes into the still calm of the superior assembly or into the tomb, but no adequate successor to them springs up. Their constituencies elect in their places fair men, but they do not elect their equals or their similars. . . . It is useless to attempt to evade the existing difficulty by alleging that there are still great men in the House of Lords,—that when they migrate from one assembly to the other, they remain the same men that they were before,—that the country can as much have their services in the place where they are, as it could in the place which they have left. The truth is not so. These men are the same men, perhaps, but we have not the same use of them. One of the principal duties of a Parliamentary administrator in the present day is to answer Parliamentary questions. We boast that for

better or for worse our administration lives in the face of day; that it has no indefensible secrets—no hidden defalcations; that it is searched into during half the year by the incessant inquiry of 658 inquisitors, and especially by certain of them who are stimulated by public spirit, by personal vanity, by the wish to be thought active by their constituents, by the wish to become great men with the public. As this is so, it is advisable that such questions should be answered well, and experience shows that a subordinate official, as a rule, does not answer questions well. Except under circumstances exceptionally advantageous, he cannot feel sufficiently at home to state the past actions of his chief as if they were his own actions—the past motives of his chief as if they were his own motives—the future policy of his chief as if it were his own policy. . . . And in consequence the public service will suffer. If false impressions are given by incomplete, hesitating, or inaccurate replies in Parliament, an erroneous opinion is formed in the country and perhaps in other countries; and the characteristic usefulness of "question-and-answer" administration is wholly sacrificed, even if such mistaken impressions should chance by good fortune to cause no absolute evil.

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Department of Technical Co-operation

SIR—In commenting on Mr Vosper's new department you make some wise suggestions on what it should do, but you pass rather lightly over its duty to "provide experts, advice and technical assistance." To do this effectively requires finding or building up for each specific assignment a team with the expert knowledge and appreciation of local conditions—no easy task when such a great range of engineering and technical advice has to be covered. However, over a great part of the field there are in existence organisations with teams already versed in these types of work with wide knowledge of local conditions. They are the staffs of the firms of British consulting engineers, who are used to working in almost every country in the world, and who are at the present time engaged in projects abroad having a total value of over £700 million. It would seem directly in the country's interest to make use of their knowhow, knowledge and experience in providing advice and technical assistance overseas.

There would be other advantages. The British consulting engineer is well known to be entirely independent and able to give unbiased advice to his clients, who would be the undeveloped countries concerned. This impartiality would also go a long way to avoid the suspicions of interference and difficulties of pride which you mention as arising in newly independent countries where a British government department, in spite of the care with which its name has been chosen, is directly involved.—Yours faithfully,
R. L. PITT

Chairman, The Association of
Consulting Engineers
London, SW1

Infant Mortality in Angola

SIR—In your article "Our Job in Angola" (issue of July 8th) you state that the infant mortality rate in that unfortunate country is sixty per cent. To anyone with the smallest knowledge of demography, such a statement appears ridiculous. What, one is tempted to ask, is the source of this absurd figure? And how, when and where were the statistics of births and deaths compiled?

Six years ago the United Nations published a series of model life tables for use in under-developed countries where mortality statistics are incomplete; these models have proved invaluable tools for students of African demography. The highest mortality envisaged in the series is represented by a life table for which the expectation of life at birth is just under 19 years and which starts with an infant mortality rate of 33 per cent. This rate the authors of the United Nations study regard as "catastrophic." They write: "This last mortality experience . . . represents an extremely heavy toll, requiring a fertility of about seven live births per woman in the

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reproductive ages, if the population is to survive and maintain its numbers. It is rather doubtful that such extreme mortality experience can be found today in any sufficiently large population, except for short periods of time when major epidemics or famines are prevailing."

Are your readers therefore to believe that in Angola an infant mortality rate almost twice that regarded by the United Nations experts as the maximum is—as you imply—the normal course of events? The political arguments you advance would be more convincing if the statistics you cite to support them could at least have the semblance of plausibility.—Yours faithfully,
J. G. C. BLACKER
Nairobi, Kenya

New Zealand Progress

SIR—I read with great interest your article of July 8th. Should the United Kingdom decide to join the common market, Commonwealth relations will be seriously prejudiced and there is a danger that the Commonwealth might disintegrate. I am sure that you will agree that the Commonwealth is one of the greatest conceptions of history bringing together, as it does, people of all races from all parts of the world and it should not be abandoned for economic reasons.

It seems clear to me that the United Kingdom is being forced to seek membership of the common market because it is unable to balance its trade with the rest of the world and hopes to rectify the position by membership. I believe that a major factor in this lack of balance is that many United Kingdom manufacturers are no longer particularly interested in exports because they can sell their products in bulk

LETTERS

quantities easily on the home market, and this is proved by the booming company balance sheets appearing in your pages. In many instances, deliveries quoted for export are so long that buyers are forced to make their purchases elsewhere, despite the high preferential rates of tariff which exist in New Zealand.

Immediately after the war, manufacturers in the United Kingdom were keenly interested in exports because prices were controlled in the home market while there was no control on prices for export and, in fact, they were encouraged to make an extra profit. A major contribution to restoring the balance of trade would, therefore, be some form of tax remission to manufacturers who engage substantially in the export business.

The reaction of New Zealand to the common market appears to have been greatly misunderstood in the United Kingdom. New Zealanders are a friendly people and they do not like to make a fuss. Further than that, they wished to make Mr Sandys welcome on what was obviously a difficult and painful mission. Nevertheless, most New Zealanders feel intensely on the subject as they consider they may be abandoned by the country which they have always regarded as home, and they realise that they cannot support any reasonable standard of living without freedom of access to the United Kingdom market. They remember that it is not so long since the United Kingdom depended almost entirely for its supplies of meat and butter on New Zealand, and New Zealanders rationed themselves to make the supplies available.

The terms of trade today are heavily weighted against the agricultural countries

of the world by high tariffs and restrictive quotas imposed by the developed countries. The last world depression was started by a disastrous fall in the world prices of agricultural products and the cycle will probably be repeated unless more freedom of access to world markets is granted to producers of primary products.—Yours faithfully,
JACK HARRIS
Wellington, NZ

Northern Rhodesia

SIR—In your issue of July 22nd it is stated, in a message from Northern Rhodesia, that the United Federal Party "has long been under the loving care" of Colman, Prentis and Varley Limited. Perhaps you will give equal publicity to the fact: neither Colman, Prentis and Varley Limited nor its public relations associate, Voice and Vision Limited, has at any time been employed by the United Federal Party.—Yours faithfully,
S. E. R. WYNNE

Managing Director, Voice and Vision Ltd.
London, W1

[Voice and Vision Limited is in fact employed by the government of the Federation of Rhodesia and Nyasaland. The government is headed by Sir Roy Welensky, leader of the United Federal Party.]

ABCD of Disarmament

SIR—We ought to get to U (Unilateral) in your disarmament alphabet. This is the U-policy for the UK and the most realistic approach to the problem of power politics in the nuclear age. U will be U one day I hope!—Yours faithfully,
Bordon, Hants

STEPHEN KING-HALL

BOOKS

Case History of a Limited War

The Diplomacy of the Winter War

By Max Jakobson.
Harvard University Press. London:
Oxford University Press. 281 pages. 46s.

LIKE the Spanish Civil War, the Russo-Finnish conflict of 1939-40 produced many a hot-tempered pamphlet, a number of suspect military judgments and journalistic war cries. The war, though it had many a chronicle, lacked its reckoning. Although the memoirs of Marshal Mannerheim and Väinö Tanner have been translated into English, not until the advent of Mr Jakobson's study has there been a sober, unsentimental and comprehensive balance sheet of the Finnish effort to resist "satellisation." If nothing else, this book would stand as an interesting and relevant account

of what principles and political necessities are compounded into the formulation of a small nation's foreign policy, facts which are by no means understood even now. It is also a commentary on the political reality of the "Nordic bloc." The contortion and necessities of Soviet policy similarly occupy a large part of this study. The real mysteries of the Winter War concern the manner of its coming and why, when it had burst over Finn and Russian alike, it stopped short of complete Russian mastery over Finland. This was a "limited war," and those who propound the formula as an article of faith would do well to look into this case-history, where the dangers and miscalculations are so clearly examined.

Mr Jakobson renders a service in assembling all the available information on

the mysterious mission of the Soviet diplomat Yartsev to Helsinki in 1938. On whose authority Yartsev was acting has never been fully explained. The Finnish position was by no means simple. In answer to Soviet overtures for strategic concessions, Tanner could offer only neutrality, while pressing for closer association between Sweden and Finland. Yet the Soviet notion of "neutrality," as it applied to Finland, ruled out any closing of the Scandinavian ranks. The author exploits all the available material on the "Yartsev mission," though the cloud of secrecy still obscures much of importance from the Finnish side. What he makes abundantly clear, however, is that any surrender to Russian overtures would have smashed up Finnish policy completely. In March, 1939, with yet another devious diplomatic play, Moscow sent Stein to Helsinki to talk once more about military concessions. This time Marshal Mannerheim was informed of what was afoot. His discarded advice was to accept these minimum Soviet requests. Mr Jakobson admits that the contention of the Finnish political leaders—that public opinion would never tolerate territorial concessions—was never

put to the test. The Finnish parliament remained in blissful ignorance. March, 1939, was Finland's "last chance" to bargain. But the author's interpretation of the tense talks in Moscow in October-November, 1939, is that they reveal above all the basic motivation of Finnish policy: it was the realisation that acquiescence in today's "reasonable and modest" proposals would ruin Finland's power to resist the exorbitant demands which must surely follow. Moreover, the context of the Anglo-French-Soviet negotiations in 1939 confirmed that, for the Soviet Union, Finland was a "Baltic state," delineated on the map as it had been in the days of Imperial Russia. Over the question of a "guarantee," however benevolent it might appear, Finland struggled to be distinguished from "Rumania, Poland and all that."

In presenting the Soviet aspect, Mr Jakobson has carefully mobilised all his scruples. If anything, at this crucial juncture the benefit of the doubt goes to the Russians. But this does not prevent the author from disposing of a number of damaging myths which have gathered over Finnish policy. The agonies and misunderstandings of the Moscow negotiations are set out carefully and clearly. These were an open challenge to Finland's national independence. In view of what had happened to the Baltic states, the inference was plain. The war itself, which was precipitated by the still unexplained Mainila shooting, Mr Jakobson sees as a miscalculation from both sides. Erkkö's optimism was as fatal as Zhdanov's rashness and ill-conceived promptings to Stalin. The brunt of the responsibility, however, rests with the Soviet Union, whose divisions had been massing since October. And not only the Finns erred in estimating the final Russian reaction.

There can be no dispute with Mr Jakobson's contention that in the war, which had burst so disastrously on Finn and Russian, the Finns gained enormously by a resistance that forced the Russians to abandon the political fiction of the Red Army marching under Kuusinen's Communist standard. Even though a policy of resistance may at times have appeared politically unrealistic, and may have stemmed from misunderstanding the situation, in the event it proved to be instinctively right. The analysis of the involved diplomacy of the war after January, 1940, is excellent and fully supports the contention of "victory in defeat," which is no mere turn of phrase here. As for the "Continuation War" and Finland's going to war in 1941, Mr Jakobson is right to leave the judgment on that until further research has lighted up many dark corners. While many points of the Winter War wait on fuller evidence, especially from the Finnish side, this survey admirably sets out from a wide variety of materials questions which had hitherto been cast in terms much too simple or even ignored. New information may modify some of the judgments on Finnish political leaders. But the reckoning over the issue of survival remains exact.

Stomach Upsets

The French Radical Party. From Herriot to Mendès-France.

By Francis de Tarr.
Oxford University Press. 285 pages. 35s.

IN his foreword to this excellent book, M. Pierre Mendès-France offers an apologia for his attempt, between 1954 and 1957, to refashion and revitalise the French Radical party. "The mass of the party's members," he writes, "had remained sincerely and deeply attached to an ideal of progress and of democracy of which radicalism, in other times, had been the interpreter and the instrument... it was not... a *coup d'état* which took place in the heart of the party. It was a revolt of the rank and file." "The Fourth Republic did not take long to die. One might dream about what might have happened if the republican politicians, if the ministers of the Left, Radicals and others, instead of giving way had had the strength of will to keep their promises..." instead of indulging their taste for office. Mr de Tarr's study explains sufficiently why they did not; why the *mendésiste* movement failed; and consequently why the Fourth Republic fell. It is a tragic story, and in it the radicals played a central part.

Essentially, the radical party had always regarded itself as a party of government. It tried to reconcile and mobilise, within its ranks, all good Frenchmen, in the cause of liberty and the public interest. "The main task of a great political party is the same as that of a good stomach, not to reject but to assimilate." As the history of the American parties shows, this is a perfectly viable theory; and the radical genius for compromise and skill at the parliamentary game meant that, again and again after 1945, it was able, as an honest broker, to patch up coalitions and resolve governmental crises. Such a radical as M. Queuille, who regarded himself as "a premier who raises himself above doctrines in order to deal with reality and prevent disaster," and did prevent disaster on several occasions, deserved well of the state. Unfortunately for this traditional radicalism the history of the Fourth Republic mercilessly required more of a party than a willingness to govern pragmatically, without party doctrine. All in their turn, radicals of the left, gaullist radicals, neo-radicals and *radicaux mendésistes* propounded stiff recipes and regimens for the ailing French political system; all in their turn were rejected by the radical instinct for *immobilisme*, of which M. Queuille was the father. In the end the venerable party began to look less like a stomach than an artichoke stripped of its leaves. The events of 1958 proved, among other things, that in such a condition, deprived of their most vital elements (deprived, by an irony, even of M. Queuille), the radicals had outlived their usefulness. Today their function of making government acceptable to parliament is performed, albeit under vastly changed conditions, by the gaullist *omnium gatherum*, the Union de la Nouvelle République.

Mr de Tarr tells this story with a wealth and command of telling detail that has to be directly savoured to be appreciated. He is, perhaps, a little too austere in his exclusion of all matter that is not immediately relevant to the evolution of the party; one would have welcomed a fuller account of M. Mendès-France's premiership, which inspired the last, crucial attempt (forming the book's climax) to rescue the radical party and, through it, the Fourth Republic. The great reforming wave that carried the *radicaux mendésistes* forward cannot be properly appreciated without such an account. The chapter on the gaullist radicals similarly suffers from too allusive an approach to the *Rassemblement du Peuple Français*. But these are quibbles. Mr de Tarr succeeds brilliantly in conveying the feelings and preoccupations of politics under the Fourth Republic, above all that sensation of time wasting, which provoked M. Mendès-France, in 1955, to announce "We are in 1788!", but which failed to stimulate the French into averting 1789.

From James to George

The Century of Revolution, 1603-1714

By Christopher Hill.
Nelson. 352 pages. 25s.

THIS is the second volume to appear of a series designed to survey English history from 55 BC to 1955 in eight volumes. It is intended that each volume should combine a political narrative with an analysis of economic, social and cultural developments and, while incorporating the results of modern research, should be "a stimulus to further reading rather than a substitute for it." Mr Hill's volume admirably fulfils these ambitious aims. His narrative chapters are brief, and he has concentrated on analysis and explanation. In attempting to do so much in so short a space it is easy to produce desiccated history, to rattle the bones without ever reminding us that they once belonged to a living body. But Mr Hill's book is both condensed and lively, realistic and revealing. He makes his own points briefly and pungently, and there is hardly a paragraph in which he does not enforce his points by quotations from the sources, all of which are apt and many of which will be new even to professional historians. The quotation from T. S. Eliot at the head of the introductory chapter shows Mr Hill's preoccupation and anxiety:

But how can I explain, how can I explain to you?
You will understand less after I have explained it.

Mr Hill is too modest: he has explained, and the more convincingly because he has allowed us to see how men and women of the seventeenth century expressed themselves and explained events at the time. He is no Pangloss, for he is as much concerned with the failures as with the achievements. It is this twofold concern that makes his book so stimulating, searching and humane.

As Mr Hill sees it there were two revolutions in this period. The political revolution succeeded when Charles I was executed, marking the end of any attempt at absolute monarchy. But the same year saw the defeat of the social revolution. Mr Hill puts it neatly. After crushing the Leveller revolt at Burford, Cromwell and Fairfax "were awarded honorary degrees by the grateful Royalist university of Oxford." The franchise was not extended and radical legal reform was stopped. In 1660 a state church was re-established and dissenters driven from political life for a century and a half. The society that emerged was divided into "the ruling classes and the masses," and "British freedom by 1714 meant among other things the unimpeded right of the Justice to regulate in minutest detail the lives of his social subordinates." The qualification "among other things" is a pointer to Mr Hill's fairness, for he also shows the gains that were made in liberalising the treason laws and in the field of commercial law.

A particular strength of his book lies in his appreciation of the intellectual and scientific history of the period. He pays a just tribute to Bacon, who saw the new empiricism leading to the "relief of man's estate." Before 1640 Bacon's was a voice in the wilderness: after 1660 his was "the dominant intellectual influence." Mr Hill has a nice contrast between Donne, safely ensconced as Dean of St. Paul's, fearing the individualism of the new philosophy, and Sir John Eliot in prison, embracing its optimism. Sometimes brevity leads Mr Hill to making statements that are too sweeping. He describes the shift in Leveller thought from the assertion of Anglo-Saxon liberties to the demand for the inalienable rights of man, and comments "Bogus history was abandoned for political theory based on natural rights." He cannot think that bogus history ceased to serve political ends after 1660.

Mr Hill writes so well and trenchantly and knows the period so thoroughly that the occasional infelicities and slips stand out the more prominently. He has no need to descend to such colloquialisms as "the fun of the thing," or "who was the boss." He repeats the textbook error that Elizabeth left a debt of £400,000 and, perhaps partly for this reason, seems needlessly charitable to James I. It is curious to find Robert Cecil described as "frugal and reforming." The latter epithet is fashionable but debatable: the former seems inapposite both for the builder of Hatfield and the Lord Treasurer of James I. Mr Hill regards Cromwell's foreign policy as fitting into a trend that saw foreign policy increasingly dominated by commercial interests. But this was not the opinion of one of the most perceptive observers of the century, who saw Cromwell "for a separate interest of his own" shaping foreign policy to other and more ideological ends. But it would be ungracious to emphasise flaws or register disagreements when Mr Hill has placed us so heavily in his debt. The general editors of this series

will be fortunate indeed if the volumes still to come can approach the standard he has set.

In Search of Information

Information and Investment.
By G. B. Richardson.
Oxford University Press (1960). 226 pages. 21s.

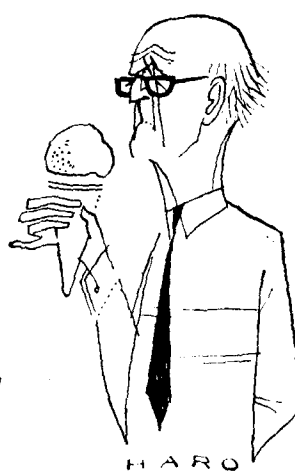
MR RICHARDSON has discovered an omission in the accepted theory of the determination of prices and output in competitive markets. Perfect competition, as posited in this theory, implies conditions where entrepreneurs would not be able to obtain information which they need in order to plan investment. If, for instance, there is a permanent rise in the demand for a product, each of its producers will be reluctant to expand his capacity unless he has some assurance that all his competitors, taken together, are not planning excessive increases in their total capacity. In the same way, information is needed about the planned capacity of raw materials or of customer industries. Yet where, ex hypothesi, all that the entrepreneur knows is the prices currently paid for the product and for the factors of production used in making it, the necessary information is lacking. Thus Mr Richardson regards the theory as a mechanical account of equilibrium that fails to explain how equilibrium is brought about and therefore "cannot serve as a model of the working of actual competitive economies."

As a criticism of the theory this rather misses the mark. Theory deliberately abstracts from some aspects of reality in order to concentrate on others, so that it should not be judged by its descriptive realism but by its results. In the present case the results consist of an extremely useful taxonomy of the factors that may explain changes in prices and output.

Nevertheless, although it is a different one, Mr Richardson's problem is certainly interesting. How do entrepreneurs get the information they need in order to plan investment? He suggests that friction and market imperfections may serve to provide it, so that some divergences from the competitive ideal may promote rather than impede the efficiency with which the economic system adjusts itself to changes in circumstances. Since the available information will never be sufficient to abolish uncertainty, however, the problem of adapting economic behaviour to cope with it remains, and Mr Richardson devotes the last third of his book to a discussion of its influence.

Throughout the book Mr Richardson remains on a theoretical plane. Since he is an intelligent man, the result is interesting. Yet if he had clambered down from his ivory tower and gone into the world (as other Oxford economists have done) he could have written an even more interesting book. Trade journals, market research, public announcements and judicious applications of alcohol all enable some businessmen to obtain some useful information, but

The Age War



NOWADAYS age is probably as important as class in determining how people talk, how they dress and how they look at life. Of course there has always been a certain amount of friction between young and old, and both enjoy the martyrdom of being slightly misunderstood. But we are

now approaching a complete breakdown in communication between age-groups.

A very refreshing thing about *The Observer* is that it frequently gives the points of view of both sides in the Age War. Bridget Colgan, for example, when she writes about avoiding frustrations in babies never forgets that parents get frustrated too. And a recent correspondence following the series "Miserable Married Women" included a tart lecture from a 7-year-old girl who thought that women should look after their children properly and try to love them, and if they are bored why did they have them in the first place?

Fads Exposed

Somehow or other, *The Observer* seems to have posted spies in most of the age-cliques, and as soon as anything new happens, whether it's a major trend or a minor fad, back come intelligence reports that are informative, unselfconscious and equally free from the stuffiness that plagues some ageing writers and the private intolerance that walls in some young ones.

Why did teenagers flock to buy music that sounds like a needle-scratchy dance record of the late twenties? What makes the staid and middle-aged rush lemming-like to Sunday afternoon tombola sessions? Both of these questions have recently been answered in *The Observer*.

Fogeys Defended

New waves and old guard meet hostilely but on reasonably equal terms in the review pages.

The Observer is generally among the first to notice new movements in writing, art and music. Yet recently Harold Nicolson published a spirited and witty defence of literary old-fogeyism.

More important, the atmosphere of the paper makes it possible for the different ages to talk freely and frankly about touchy subjects. They've just concluded a discussion on "Teens and Sex" that was thoughtful, unsensational and very helpful as a basis for discussion.

Just for the way in which it helps you keep up with how the other age-half lives, *The Observer* is worth every penny of the sixpence it costs. But this isn't the only reason for taking it. J.B.L. ADVT.

Mr Richardson never mentions them. Again, he suggests that, in the absence of co-ordination, agriculture is an industry where "there would be every reason to expect" inefficient supply adjustments, but the thought of examining the facts to demonstrate this does not occur to him. Economics should not, after all, consist solely of pure ratiocination, seasoned with quotations from Alfred Marshall.

Bricks and Mortar

A History of Building Materials

By Norman Davey.

Phoenix House. 260 pages and 48 pages of plates. 65s.

THE author is a scientist, a civil engineer and an archaeologist, and much of his working life has been spent at the Government's Building Research Station. It is hard to imagine more promising circumstances for a good history of building materials and the result is indeed very successful.

Mr Davey writes economically. Virtually the whole gamut of materials has been encompassed (one curious omission is vitreous enamel, and plastics are only briefly mentioned). There are many necessary excursions into techniques of construction, and there is a short account of building tools, all in 237 pages. Yet we are taken back to the earliest known uses of each material, the critical stages in its development are identified, and many interesting buildings and events are described. It is really rather remarkable.

Although the writing is restrained in character, this restraint never gets in the way of interest and information, and it is warmed by two happy attributes. The first is the lucidity of the introductory passage to each new group of materials, which gives us at once a brief but clear view of their essential nature, their origins, and their place in the scheme of things; and the second is the feeling it reveals in the author for qualities other than the functional and the technical which are valued in materials.

BOOKS

The pattern of discussion follows a free and pleasant logic. Gypsum takes in its stride gesso, scagliola and graffito. Their relatives, the limes and cements, come on the scene and we learn how they were and are made, and of what raw materials. This is followed by stucco, and, after considering it all over the Middle East and Italy, we find ourselves in Roman Britain and Henry VIII's Nonsuch Palace, Mortar and concrete follow naturally, but asphaltic bitumens less obviously until we realise they, too, were often used as mortar in antiquity. Their use for paving is only about 100 years old. And so the story of each material unfolds from place to place, through one use to another until today's familiar picture is before us.

The production of the book unfortunately lets the author down a little, for the typography is rather insensitive and the chapter headings, in particular, are a bit brutal. The binding, too, does not seem quite tough enough for its job, and it seems reasonable to ask if it is necessary to take six pages at the outset to index illustrations. The text is virtually fault-free, except for a few needless repetitions.

Architects and archaeologists will naturally be readers of the book, but builders and materials producers will find it useful, and so will travellers and others who like to contemplate their environment perceptively. Its relevance to Britain gives it only the slightest of biases, not strong enough to reduce its value to readers elsewhere.

There are 48 pages of photographs and 134 drawings, apparently by the author.

Songs of Protest

The Outlaws of Medieval Legend.

By Maurice Keen.

Routledge. 235 pages. 28s.

WHAT did all the outlaw ballads of medieval England, those that were sung of well-known figures like Hereward and Fulk Fitzwarin and those that recorded the deeds of the elusive Robin Hood, have in common? It was, Mr Keen contends in

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his sensitive and engaging study of them, their protest against social injustice, oppressive laws and the men who enforced and used them for their own ends: royal justices, sheriffs and greedy prelates. We hear in these tales the authentic voice of the poor, especially the peasantry, of later medieval England fighting for freedom from villein-status and against the intolerable vexations of the forest customs. Mr Keen describes the behaviour of royal officials from the Norman Conquest to the sixteenth century in harrowing and sombre tones. Against their endless depredations the writers of the poems created a world of wishful fantasy, where the outlaw king of the forest stood for true justice and avenged the wrongs of those who resorted to him and, of course, his own with even greater cruelty and violence than the forces of law and order commanded. There had to be plenty of bloodshed in these tales and the outlaws' enemies were also those of the poor.

Historians of social and economic change have perhaps not been catholic enough in the choice of their sources. Manorial records and court-rolls reveal next to nothing of what those who had to render services or pay routine mulcts felt about their situation. To use the ballads and legends for this purpose is at once an inviting and dangerous expedient. The penumbra of the real past is to be lit up with the darkness that surrounds the origins and literary history of, for instance, the Robin Hood poems, the values and interests of the men who sang them and above all their audience. Mr Keen excels in drawing the moral from his refractory materials, but he is also in danger of forgetting quite a lot of old history as he discovers new in the outlaw legends. For their traditional villains, the sheriffs, had, by the fourteenth and fifteenth centuries, long lost their once frightening powers for good or ill in the shires. They packed juries for their friends among the nobility and gentry but in litigation which for the most part did not concern the underdog at all. Conversely it is rather hard to believe that substantial freeholders and their like were unable to look after their own as if they

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could not avail themselves of good-lordship just like their betters. Lastly the royal forests of the later middle ages were not all they had been in the twelfth century in the way of oppression and exploitation. Perhaps the ballads were after all enjoyed by their public—whether gentle or rustic—mainly as stories. Yet these doubts detract from neither the interest nor the enjoyment of Mr Keen's book.

Concrete and Fastidious

Somerset Maugham

By Richard Cordell.

Heinemann. 250 pages. 25s.

THE odd contrast between Mr Maugham's evident talent and enormous popularity, and their neglect by most critics, is beginning to be resolved by time. Most writers go out of fashion as they grow old, and still more after their death; and the fortunate are reborn into fame at their centenary. Fortunately Mr Maugham has consented to defer his death, and we may hope that he will still be alive and active at his centenary. By that time the well-known English love for aged authors will have worked on his side; a half-century of critical neglect will seem strangely old-fashioned; and we may hope that he will be the idol of the young. But not yet: though long usage and some change of fashion make it difficult nowadays to ignore him, he remains out of mode, however attractive to the ordinary reader who is eclectic in time and fashion.

Mr Cordell's useful, if rather dull, book helps to provide the material for a reassessment; not so much by what he says, which is not strikingly original, as by the care with which he describes, and briefly annotates, pretty well everything which Mr Maugham has written. A great deal is, and doubtless deserves to be, forgotten—much of it suppressed by its author so far as he can. But there remain a few novels that give lasting pleasure; plays which are right out of fashion now and may or may not bear revival; a few parerga of great merit, but not heavyweights; and, above all, the short stories. Having read through the catalogue and remembered all that one has read and re-read with immense pleasure, one asks again, why this neglect?

Mr Cordell hints at the answer without ever coming right out with it. He defends Mr Maugham against the charge of the cynicism, but never once uses the obvious word—scepticism. Mr Maugham observes people as they are, describes them, and sets his own values. He is an ecologist; and the discipline which is most fashionable in science is right out of mode in literature. Think of a few contemporary words: commitment, dignity, integrity; and then think of the characters in Mr Maugham's stories.

It all depends on what you want of an author. Mr Maugham does not fit into the requirements of today; but with immense skill he describes the people of one generation in a mode that is not committed—there

BOOKS

it goes again—to the ideas of any particular time. He may not be one of the world's greatest writers, but in the long run he is as little likely to date as Defoe.

Study of Man

Human Behaviour: A New Approach

By Claire Russell and W. M. S. Russell.

André Deutsch. 532 pages. 42s.

THE Eichmann trial and Gagarin's achievement, in their different ways, lead one to agree with Pope that "The proper study of mankind is man," who cannot yet "describe or fix one movement of his mind." But how is he to be studied? The authors of this book have attempted a synthetic approach, drawing from the inspiration obtained by artists, dramatists, sociologists, psychologists, neurologists and a host of others. To do this they have had to read widely, think comprehensively and to select. Whether or not we agree with their conclusions or are daunted by the many approximations and generalisations which the integration of such an amorphous mass of knowledge must involve, we must feel the greatest admiration for anyone prepared to undertake such a task.

Much of the early part of the book consists of an account of the instinctive mechanisms of lower vertebrates, with detailed discussions of the mating of the clawed toad, *Dielschlag's* choice experiments with pigeons, and so on. Much of this material has an intrinsic interest of its own, but in addition it is used here to throw light on the instinctive mechanisms of man. These are contrasted with man's intelligence, which gives him his power to escape from automatism. Intelligence, however, is thwarted by rationalisation; constructive social communication is held in check by competition, exploitation and deception. These conflicts can be understood only by tracing the development of the individual through its different phases to maturity. The Russells devote much of the book to trying to disentangle the mechanisms by which personality is forged by early social relationships. Their approach owes much to Freud, though its details are original. They make great use of literary allusions—some of which are more pertinent than others.

This is a book liable to irritate experts in any one of the many fields into which the authors stray. The psychologist will be worried when "intelligence" is equated with "the capacity to enjoy life"; the psychiatrist by the slick parallel between change of mood in toads and "dissociation" in man; and most of us when the observations of Tolstoy are written off as "made and recorded through a moralistic fog, condensing here and there into puddles of mysticism." However, such lapses are almost inevitable in a book so ambitious in its scope. Many of the authors' conclusions ring true, and one cannot help being stimulated even when one disagrees. As a gallant attempt on a mammoth task the book deserves both respect and admiration.

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THE BUSINESS WORLD

Mr Lloyd's Measures

MR SELWYN LLOYD related his crisis measures to the two familiar facets of economic overstrain, the domestic and the external. Domestically, his diagnosis is far from proven. The Chancellor's assertion that in the three months since the budget home demand "has continued to increase and is likely to increase even more than was then foreseen" may appear as a logical justification for administering this record dose of disinflation on the eve of the August holidays rather than in the budget itself; but the assertion is a difficult one for outside observers to square with the latest generally available economic indicators. There can be no quarrel, however, with the Chancellor's diagnosis of the "critical" external situation; and because the fundamental weakness is in Britain's current overseas earnings, a knock to home consumption may have rather more relevance than if the weakness of sterling reflected an outflow of short-term capital alone. Britain's trade balance improved a shade in the first half of 1961, but Government spending abroad increased further, and the current account was still in deficit. Thus it seems certain that for the third successive year Britain's overseas earnings will fall short of its external payments and capital commitments. This is the critical situation which has to be put right.

The sustained external deficit, inevitably, has to be financed by short-term borrowing, whether through the market or by official credits. Mr Lloyd's measures, besides attempting to eliminate the basic deficit itself, provide short-term relief on both fronts. The increase from 5 to 7 per cent in Bank rate is a powerful instrument for reversing the outflow of private funds from London. While this increase naturally has had nothing like the psychological shock effect as the same movement in September, 1957, its impact in the foreign exchange market has been immediate, though still limited. A rally in sterling started as soon as the Chancellor sat down on Tuesday afternoon, and by Wednesday afternoon a general demand had lifted the spot rate to \$2.79 $\frac{1}{16}$, compared with \$2.78 $\frac{1}{2}$ before the announcement. Observers abroad, as at home, are generally withholding judgment about the efficacy of the long-term part of the package. But in financial markets which are notably more sensitive to interest rates than they were four years ago, seven per cent talks—even if not yet loud enough to persuade operators to dispense with exchange cover in the forward market. An essential part of the Government's short-term task was to produce a quick recovery in sterling, and Bank rate has again shown its effectiveness for that purpose.

The Chancellor is also fortifying the reserves by resort to

the International Monetary Fund. A drawing from the Fund was to be expected, if only to help pay off at least a good part of the temporary credits that have been made available by Continental central banks. The amount and form of the IMF credit will be announced shortly, when discussions are concluded. Britain already holds the record for an IMF operation in its Suez drawing of \$561 $\frac{1}{2}$ million and additional stand-by credit of \$738 $\frac{1}{2}$ million, covering the whole quota of \$1,300 million. Since then, IMF quotas have been raised by 50 per cent, and Britain has repaid its Suez drawing and further increased its credit line at the Fund by voluntary repurchases of sterling for dollars. As a result, Britain's "gold tranche" in the Fund, which is available virtually automatically, now amounts to \$531 million; addition of the first 25 per cent of Britain's quota would provide over \$1 billion with little formality. The whole quota plus the gold tranche is a shade short of \$2 $\frac{1}{2}$ billion. It seems pretty certain that a "substantial" drawing by Britain will have to include a fair portion of United States dollars, as the Fund's existing holdings of marks, French francs, guilders and lire together total only about \$1 $\frac{1}{4}$ billion. It remains to be seen whether the Continental creditor countries develop any new expedients to take the strain off the United States in advance of the rather slow moving project for establishing new borrowing powers for IMF itself. For sterling, the IMF credit and the pull of Bank rate should provide adequate special relief in the months ahead.

Crisis Bank Rate

SEVEN per cent Bank rate, the Chancellor said, was directed not only to the "unsettled international situation" (a phrase which covers Mr Khrushchev and Berlin as well as Swiss bankers and the pound), but also to "the need to restrain credit internally." To this end, the authorities have added a further call of special deposits, and a request to both the banks and the insurance companies to be "particularly severe" on proposals to finance personal consumption, including hire purchase, and speculative property development. Together, these restrictions could produce severe stringency in the capital market. It was evident that some sporting buyers who came into the market on Wednesday had underestimated the implications of market interest rates of over 7 per cent for the best borrowers and a tightening of credit from all the main institutional lenders—all at a time when the business

outlook is almost certain to be clouded. As in 1957, cash is at a premium.

The banks themselves now need little exhortation from the authorities. Their own balance sheets were enforcing a tighter scrutiny of lending before the new imposts. Now the call of special deposits, payable in two instalments by the August and September make-up dates, siphons off a further 1 per cent of deposits from the London clearing banks, bringing their total to 3 per cent, and $\frac{1}{2}$ per cent from the Scottish banks, bringing them to $1\frac{1}{2}$ per cent. The latest bank statements for mid-July, discussed in detail on a later page, show a slight easing in liquidity; this is not surprising in a period when the gilt-edged market had virtually dried up. But even if the Government raises no new money in the gilt-edged market this year the banks cannot count on expanding their holdings of Treasury bills and other liquid assets. The Chancellor's surcharge on revenue duties will turn his small overall Exchequer deficit into a surplus—a phenomenon unseen since the days of Sir Stafford Cripps, when personal savings were almost non-existent. Now the banks may find themselves faced with increased outside competition for Treasury bills, which will presumably yield around $6\frac{1}{2}$ per cent; while if the public were to resume its buying of gilt-edged, the supply of liquid assets remaining in the hands of the banks could be painfully reduced. In that case, no doubt, the authorities might contemplate a release of special deposits. The banks will remember that when liquidity became uncomfortably tight this spring the Bank of England came to the rescue indirectly, by helping to absorb the banks' sales of bonds on special terms. It is a debatable point whether special deposits, as used so far, have helped or hindered official attempts to curb advances.

Certainly advances showed remarkably little response to the restraints of 1960. In the past year total advances by the clearing banks have risen by a further £313 million, around 10 per cent; and while at first there was a notable switch in the direction of lending towards industry, the three months to mid-May showed some switch back to the personal and professional and the financial categories. Most banks have already put on the brakes here; and with the average advances

THE NEW MONEY RATES

	From per cent.	To per cent.
Bank rate.....	5	7
Treasury bill rate.....	4 $\frac{1}{8}$	?
Overdraft rates:—		
England.....	5—6 $\frac{1}{2}$	7—8 $\frac{1}{2}$
Scotland (minimum).....	6 $\frac{1}{2}$ —7	8 $\frac{1}{2}$ —9
Personal loans (Midland Bank).....	6*	7*
Deposit rates:—		
Clearing banks.....	3	5
Big HP houses: 3 months.....	5—6	6—8
6 months.....	6—6 $\frac{1}{2}$	7—8 $\frac{1}{4}$
Money market loans:—		
To Discount houses—		
Clearing bank minimum.....	3 $\frac{3}{8}$	5 $\frac{3}{8}$
Average call money rate.....	3 $\frac{7}{8}$	5 $\frac{7}{8}$
To local authorities—		
Two days.....	5 $\frac{3}{4}$	7 $\frac{3}{4}$
Seven days.....	5 $\frac{7}{8}$	7 $\frac{1}{2}$
2-5 years.....	6 $\frac{3}{8}$	7 $\frac{1}{4}$
Discount Rates:—		
Bank bills (3 months).....	4 $\frac{3}{4}$ —5 $\frac{1}{16}$	6 $\frac{1}{4}$ —6 $\frac{3}{4}$
Fine trade bills (3 months).....	5 $\frac{1}{2}$ —6	7 $\frac{1}{2}$ —8
Hire purchase charges:—		
New cars.....	7 $\frac{1}{2}$ *	9*
Cars up to 3 years old.....	9*	10*
Cars over 3 years old and motor cycles.....	11*	12*

Building Society rates, no further change.

* Rate on initial amount outstanding—around one half the true rate.

ratio at 48.8 per cent and the ratio of gilt-edged at 12.4 per cent, the indication by the Governor that the impact of the call to special deposits "should fall on advances" reinforces the views of bankers themselves.

The bankers are likely to turn their attention first to the borrowers singled out for tough treatment by the Chancellor. In addition, many of them hope for a quick reduction in overdrafts to local authorities, which have risen unusually sharply in recent months as conditions have tightened in the mortgage market. Now foreign money may return to that market, and while the quotation for seven-day money has risen to $7\frac{1}{8}$ — $7\frac{1}{2}$ per cent, local treasurers no longer find bank money any cheaper.

The hire purchase houses, too, are likely to find themselves under pressure to get their finance in the market, and they have been obliged to raise their deposit rates—in some cases by the full 2 per cent, in others by less. The tightening of money is sure to be yet another influence encouraging the finance companies to draw in their horns. They had already planned to raise their charges to the public, and seem likely to keep to the new scales they had in mind—a rise from $7\frac{1}{2}$ to 9 per cent a year on the initial amount advanced on new cars, and from 11 to 12 per cent on cars over three years old.

One Regulator

AFTER reminding the House of Commons that he now had "two new powers, the regulators" on indirect taxes and payrolls, the Chancellor used one to the full and never mentioned the other. Applying a surcharge to the revenue duties, including purchase tax, to the full 10 per cent that he had gained power to impose in the Finance Act, he made an effective cut of £17 $\frac{1}{2}$ million a month in home purchasing power (£210 million in a full year, £130 million to the end of 1961-62), which would be the equivalent of, say, $1\frac{1}{4}$ per cent of the current rate of total consumer expenditure. Not quite all of this extra duty will come from private consumers, in fact; the wide range of duties involved include those on motor fuels of which business pays a sizeable proportion and the new one on the black oils of which business—suppliers and consumers—has to bear almost all. This incidental effect was inevitable in the drafting of the clause that provided this new regulator, which gave the Chancellor power to make by order only a uniform change in all of the duties concerned up or down, not to discriminate in parts of the field; it adds one more straw to industrial costs. The only other business duties affected are those imposed on television advertising in this year's budget and the bookmakers' licence duty.

What 10 per cent on the duty means to any given form of consumption depends on the basic rate of duty concerned; and the biggest impact on prices, through the biggest proportionate rates, falls upon "soft" rather than "hard" consumption. Fourpence on a packet of 20 cigarettes, half-a-crown on a bottle of whisky, and threepence a gallon on petrol are a good deal more significant than about 19s. on a £65 refrigerator or even £15-£20 on a cheap car, though expenditure on smoking and drink may well be less elastic to higher prices. For some durable goods, the surcharge will not be passed on. Sales of new cars are likely to be affected also, by

higher charges on hire purchase, directly and indirectly via the second-hand market (discussed in a later note). And the fact that this surcharge is temporary may strengthen the actual disincentive to buy that could arise from an increase of say 6 per cent in the price of a car.*

The surcharge is expected to raise the cost of living index by $1\frac{1}{2}$ points. Its incidence on the index is irregular: for example, the only car prices in the index are those of second-hand cars, and the possible softening in their values as a result of the measures and repercussions would have a downward rather than an upward influence on it. But the surcharge will raise prices (and/or cut profit margins) on a wide selection of purchases ranging from a packet of tea to a diamond engagement ring.

The Chancellor spoke of the excess pressure of total home demand, citing "strongly rising" investment and an overload on building and some engineering work "in the three months since the budget." Personal incomes and consumer credit, he said, had risen more than he had expected at budget time; and the recent fall in stockbuilding could not be expected to go on. Official glosses from the Treasury later emphasised that indicators of consumption for March and April were much higher than for February, on which budget estimates had to be made, but chose to disregard indications that in May and June retail trade, at any rate, appeared to have levelled off—though the Chancellor, telegraphing his punch so long, may have provoked some minor "spend before the duties go up" spree during July. It could be that these latest figures regarding the consumption of goods will be confounded later; or that this may have been more than offset by the continued rise in the consumption of services. But for what they are worth these indicators of consumer demand do not fit the Chancellor's premise that the internal economy is over-burdened by demand. Nor do the figures of engineering output and orders released the day he spoke, which together with the latest records of machine tool orders and of factory building approvals suggest that there may already be some easing of demand in train for the plant and machinery industries. In the economic debate, however, Mr Lloyd added that he now "had later forecasts about our situation for the first half of 1962"—prophesying a greater demand on resources, likely to affect exports and the balance of payments."

The Public Sector

ONE conventional measure missing from this familiar if formidable array—an omission much to the Chancellor's credit—was the usual selection of cuts in public investment, which have in the past been so damaging in minor detail and so delayed in broad effect. "We must see," he said, "that priority is given to what directly affects national efficiency, and that we do not wastefully disrupt programmes under way. We shall, therefore, not interfere with the investment that the nationalised industries require for attaining their financial targets and providing essential supplies and services." This autumn, he said, the government would be agreeing with the public industries the new financial targets they are to aim for over the next five years. The whole of public expendi-

* Purchase tax surcharge adds effectively about 3 per cent to the price including tax; and an increase of $1\frac{1}{2}$ per cent in charges for two years on 80 per cent of the value would add another $2\frac{1}{2}$ per cent.

ture, indeed, he added, needed "a long-term redeployment of the public services over a period of several years," slowing down the rate of increase in the total and changing priorities.

The cuts that Mr Lloyd proposed in capital items of public expenditure (for 1962-63 as against this financial year) will come mainly from not lending as much to steel companies and to private industry in general, and from not offering governmental assistance to private purchase of cheap, older houses. "We shall apply very strict criteria to any new proposals as well as looking critically at farm subsidies," he added. (The Cunarder loan, committed but still to be made, remains as one of the few vestiges of industry's never having had it so good.)

Not repeating much of this year's capital assistance to the private sector will offer an actual reduction of £125 million below the line next year, as against this year. Mr Lloyd reserved his bigger economies in next year's public expenditure for Government supply expenditure (basically, current spending) and for loan sanctions to local authorities, mainly for minor works and miscellaneous local investment. But here he could not hope for actual reductions—only to keep increases below what they would otherwise have been. Together expenditure under these two categories should thus be £175 million less than it would have become.

Supply expenditure itself will be held back to an increase of £125 million: this increase can be justified as "a level not more than $2\frac{1}{2}$ per cent in real terms, which should be within our expanding capacity to carry." This financial year is too far committed for significant economies to be achieved; but there will be "a stringent re-examination to see what savings can be made in administration and in other respects."

Spending Overseas

AS he had foreshadowed in June, Mr Lloyd extended his knife to Government spending overseas; and here too, it deserves to be said, he has avoided any panic or irrelevant slashing. Total Government expenditure on overseas aid, defence and administration has risen from £330 million in 1958-59 to a rate of £450 million in the current year, and it was threatening to rise to £500 million in 1962-63. Mr Lloyd aims to hold it down to £400 million. The Minister of Defence is making "another review" of the whole defence programme. More specifically, Mr Lloyd has concluded that the £65 million drain of foreign exchange for maintenance of forces in Germany "cannot be allowed to continue" in the next financial year, and the Government has "invited" the NATO council to review the financial conditions. Britain invoked this clause in the Treaty before, in 1957, and after months of acrimonious discussion the Germans agreed to an annual contribution of £12 million for three years.

On aid, the Government is happily proposing no cuts in its contribution, but proposes to see that it "does not rise much above the present level." This is about £180 million, compared with £150 million in 1960 and £80 million in 1957-58. The diplomats, however, are to be asked to save 10 per cent in overseas administrative expenditure in 1962-63—about £2 $\frac{1}{2}$ million.

Dividends and Remittances

EVERY board of directors is now faced with the problem of framing its dividend recommendations to conform with the Chancellor's broad comment that a general increase in dividends in the coming year would not be justified. It is not a stop on dividend increases, and where growth or a fair reward for shareholders justifies an increase, some boards will no doubt feel morally justified in making themselves an exception to the new rule. The Chancellor said that gross dividends in 1960-61 rose by £161 million, or 20 per cent. They had increased "substantially," even though they represented less than 7 per cent of the net total of wages and salaries. For the record, the gross dividends of companies whose accounts were analysed in this office in the first half of this year rose by about 12 per cent and a good part of that increase represented the remuneration of £100 million more of hard cash subscribed in ordinary shares.

This is an easy time at which to appeal for voluntary dividend restraint, for, on the Chancellor's showing company profits earned in 1960-61 fell by £13 million—which implies a sharp fall in January-March last. Profit margins, reckoned either by sales or by capital employed, are falling in most sectors of industry (it would be interesting to know what industries in the Chancellor's opinion are earning "too high" a margin). Most companies, and especially those still busy with investment programmes, simply will not be able to afford to pay higher dividends. Moreover, they will be forced by the severity of the credit squeeze to go to the capital market for new money at high rates and that is bound to keep dividends down. Indeed, investors are already thinking about the industries and companies that might have to cut their dividends. What dividend, for example, will a company like Hoover, whose profits have fallen sharply and whose goods have attracted additional purchase tax, be able to pay this year? And some of the favourite growth stocks may have to wait longer for already discounted increases in dividend—Great Universal Stores shares were one of the first victims, on Thursday's announcement of a merely maintained dividend.

While asking companies to pay no more to shareholders, the Chancellor "requests" all companies operating overseas to examine their policies in order to ensure that a higher proportion of earnings is remitted home. For companies in the sterling area, this can be nothing more than a request; for subsidiaries outside the sterling area, the Chancellor intends to make use of exchange control and to reinstitute "on a selective basis" the examination of company accounts to ensure that a policy of higher remittances is followed. These proposals are not easy to reconcile with the Government's earlier policies as incorporated in the tax legislation on overseas trade corporations, which encouraged companies to invest their retained earnings abroad instead of remitting

PROFITS AND DIVIDENDS

(£ million)			
1,298 companies reporting January 1-June 30, 1961			
	Previous year	Latest year	
Gross trading profit	1,803.2	1,966.1	
Net Ordinary earnings*	680.8	740.9	
Net Ordinary dividends	313.2	349.0	
Cover	2.17 times	2.12 times	
Ordinary capital	2,917.0	3,238.9†	
Net Ordinary assets	7,731.0	8,500.4	
Trading profits net %	23.33	23.13	
Net earnings/net assets %	8.81	8.72	

* Excludes non-recurring credits. † The increase includes £219.4 million of free scrip issues.

them back to this country. They may involve difficulties for companies which have been encouraged by the British tax system to retain profits abroad, which are under local pressure to invest as much as possible on the spot and are now asked to bring more profits home.

Proposals for new investment outside the sterling area will be submitted to the test that it will produce "clear and commensurate benefits to United Kingdom export earnings and to the balance of payments."

Tax-free Profits

IN April, the Chancellor said that he was looking again at some means of taxing capital gains—not, he insisted, a capital gains tax as generally understood, which would produce too little to justify the complications of administering it. He has now given notice that his next budget will include measures "designed to impose a clear liability to tax over a wider field than at present." The activities that Mr Lloyd wants to see taxed are of two main kinds: first, those seeking short term profits "which are more in the nature of speculation than investment, for example, short term transactions in shares and securities"; secondly, trading activities (often, he said, in real estate) that are cloaked in such a form as to escape liability under the present tax law.

It is evident nowadays that the British polity has some form of capital gains taxation that it must get out of its system. But Mr Lloyd's determination to bring it to birth will, it must be hoped, be accompanied by close pre-natal study of the fifteen pages and thirty-seven complicated but subtle paragraphs that the Royal Commission on Taxation devoted to the subject. This is a deceptively simple field in its aim of social justice; it is, however, a desperately difficult field in which to square the two principles, often conflicting, of convenience of administration with equity to the tax payer. What will short-term mean? What property will be brought in, apart from the apparently easy (but in practice not all that easy) field of security transactions? Is a flat rate tax to be imposed, treating these tax-free accruals as a new class of incomes, or will they be taxed on the top band of incomes and so be submitted to the full weight of the progressive incidence of income tax and surtax?

Property and Housing

ONE sector of the economy is singled out for particularly stern treatment—property and housing. Authorisations and loan sanctions to local authorities are to be "considerably reduced" and this, together with the pressure on interest rates exerted through the market, must incidentally affect their new housing developments as well as their other (and nowadays bigger) items of capital expenditure. The private developer is caught in the same vice. The banks have been asked to be particularly severe when reviewing existing commitments or in considering new advances for "speculative building" and "property development" and the first victims of the squeeze are likely to be the private builders who have always looked to the banks for development finance. New development schemes which have been planned but for which finance is not assured will in most cases have to be put in cold storage. Most builders have more than enough work on hand

and the first result of this restriction could be to speed up completions so that the builders can release some of their cash. This could add to the supply of houses just at the point when the purchaser finds it most difficult to raise a mortgage and so check the rise in house prices and even lead eventually to a fall.

The Governor has asked the insurance companies, through the British Insurance Association, to pursue the same policies as the banks on development finance for property. With this request before them, the insurance companies which already have a big stake in property development will not contemplate any new commitments. Some of them may have been wondering if they could extend their property commitments much further in any case. The stand-still, presumably, will not prejudice engagements into which they entered before the Chancellor's request, though these are sometimes in the nature of broad commitments to lend up to a given limit in a given period and fall short of formal contracts. Further arrangements of this kind may have reached some stage of mutual obligation, but still awaited completion and public announcement when the Chancellor spoke. It will now be up to the insurance companies and property companies to see how far any part of such schemes can be trimmed or postponed. Higher interest rates in themselves may in some cases reduce the calls on their funds under these commitments. Some of the property companies may be able to make some use of the links they have recently forged with pension funds (which, formally at any rate, fall outside the scope of the official request) but for almost all of them, big and small alike, the purport of the Chancellor's measures and requests is: no finance until further notice for new projects. For the big ones which have already arranged finance, this may not be a crippling blow; but it will lead to a pause in their growth, which may become apparent as developments now under way near completion. Smaller concerns which lack a financial tie with the institutions or which may have hoped for re-finance from their bigger brothers, may suffer more directly from the stand-still. Unless they are prepared to pay extremely high rates in the capital market, they will have to limit their ambitions to what they already have on hand—and hope that they will quickly secure a full letting or a buyer with cash.

Potential owner-occupiers as well as builders and developers are caught in the squeeze. The building societies have decided for the time being to try to weather the storm, standing pat on the recommendation made by the Building Societies Association in June that the mortgage rate should be increased from 6 to 6½ per cent and the share rate from 3½ to 3¾ per cent, net. The inflow of money into the societies has already fallen to a low level and their decision not to go to 7 per cent on mortgages and 4 per cent, net, on shares when interest rates elsewhere have been jerked up to a higher level must mean that they will have only the normal flow of capital repayments and the minimum of new money for lending out on mortgage. And with money tight everywhere withdrawals may well increase. Quotas on mortgages will be harsher than ever and, clearly, if the squeeze lasts for any length of time the societies will have seriously to re-consider their policy on interest rates. Many people contemplating buying a house will now have to think again.

In addition, the Chancellor has said that in consultation with the association he will suspend the house purchase scheme, under which money from the Government is channelled through the building societies to mortgages on pre-

1919 property. Up to the end of June the societies had lent £78 million in this way and the Chancellor has to give the societies' three months notice of suspension. Without immediately reducing the drain on the Exchequer the suspension adds to the building societies' problems and may well depress the prices of old houses.

Long-Term Objectives

MOST of the elements in Mr Lloyd's statement that were relevant specifically to the long-term problems of the British economy were the things he had not done but said he might do later—though his check to public sector wages and his refusal to tamper directly with productive investment in either the private or the public sector was in line with putting "the long-term growth of the economy" as his first objective. The Chancellor called for his "pause" in increases in distributed incomes—dividends, wages and salaries—to mark the beginning of a new long-term policy: during it "methods of securing a sensible long-term relationship between increases in incomes of all sorts and increases in productivity" would have to be worked out. He did not elaborate much, though junior economic ministers—immediately after his speech, and more vociferously the morning after a generally sour press reaction to it—were at pains to emphasise how comprehensive and important these intentions might in fact become in practice.

In the economic debate, admittedly, the Chancellor himself elaborated on his feeling "that the time has come for a better co-ordination" of the activities of the Economic Planning Board, the National Production Advisory Council on Industry, and "various other advisory councils" (Three Wise Men and all?) He said that five-year planning in public expenditure might be supplemented by "something more purposeful" than these bodies for the whole economy. This he envisaged as a joint "examination" by the Government and both sides of industry looking five or more years ahead, considering the prospects for output and the different sectors of demand, the supply of labour and capital, balance of payments prospects and the growth of incomes. "Above all it will try to establish what are the essential conditions for realising potential growth."

After his first statement, the idea that the Government might feel able, in a wage policy for the public sector, to say early on in all negotiations what kind of percentage increase might be acceptable "in the national interest" was also put about. Yet another interpretation of what the Chancellor meant, indeed, brought in an element that he simply had not mentioned: "action" (undefined) on resale price maintenance.

These supplementary glosses about policy for the long term, that is to say, were not merely more detailed but went much farther than the Chancellor's own bald statements; it seems impossible to assess them before they are put, firmly, on the record. So far Mr Lloyd has administered one of the sharpest short-term checks to total demand from any Chancellor since the war, at a time when, quite apart from the state of the internal economy, sterling needed such a stiffening draught. He has set reasonable objectives for long-term policy. The policies themselves, however far they may or may not have taken shape in his own mind, have still to be set out—or worked out—in public.

BUSINESS NOTES

THE EXCHANGES

First Hurdle

STERLING responded immediately and sharply to the Chancellor's measures, and demand from all over the Continent lifted the spot rate against the dollar from \$2.78½ on Tuesday midday to \$2.79½ at one time on Wednesday afternoon. At this point the recovery was checked, partly as a result of some sales from New York, though the undertone remained favourable. The volume of turnover has not been large—it has probably been smaller than last week, when the first tentative signs of a recovery appeared. Not unexpectedly, exchange operators are biding their time. In 1957, it may be recalled, the rise in Bank rate was followed by two days of vacillation in the exchange market, and it was only after the week-end that the weight of opinion decisively interpreted the move as an act of determination rather than desperation.

This time there are few doubts about the short-term efficacy of the measures, and operators have seen no reason to delay the covering of short positions. At the same time, there are few signs yet of a return of investment funds to London. The London money market itself has not yet fully settled down to the new pattern of rates—the Treasury bill rate was not seriously tested in advance of Friday's tender and the sterling picture will not be completed until announcement of the size and form of the credit from IMF. Few operators therefore have felt ready to put money into London without covering themselves in the forward market; and as the forward discount works out at an annual rate of 3¼-4 per cent on New York (and more on Frankfurt and Zurich) this virtually wipes out the interest differential. A sharp rise in the interest differential is naturally associated with a widening in the forward margin, and this movement on Wednesday could not therefore be attributed to a worsening of confidence. On Thursday forward rates were a little stronger, though dealings were not large.

Partly because the recovery in sterling has so far been limited there have been few sharp repercussions on other currencies, including the dollar. The whole currency scene is overlaid by the alarms and excursions over Berlin, though whether these portend pressure on the pound, the dollar or the mark no one seems quite sure—which has not stopped the British Treasury from invoking them as one reason for 7 per cent Bank rate in London. The one clear effect of the political troubles of the past few weeks—not only Berlin but also Bizerta and Kuwait—has been to revive

private buying of gold, on a moderate if not spectacular scale. Since the coincidence a month ago of M. Rueff's fulminations on the gold exchange standard and General Qasim's claim to Kuwait, the dollar price of gold in London has been creeping up slowly but steadily, from \$35.06 to \$35.13-15.

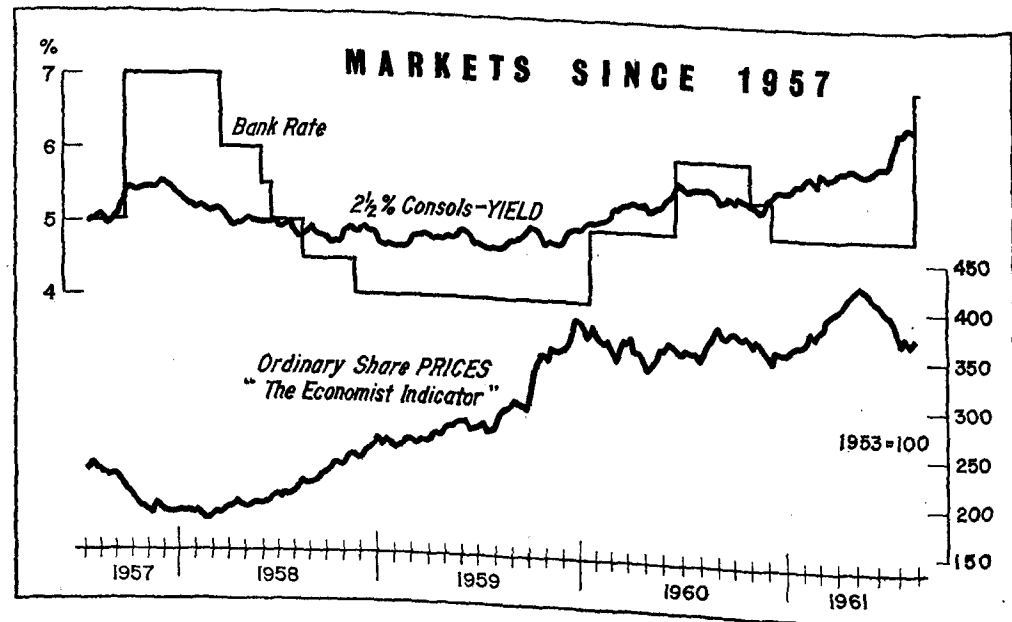
MEASURES IN THE MARKETS

Second Thoughts

DISINFLATION is the Chancellor's policy; but equity prices at first went slightly ahead, while even long-dated gilt-edged fell. This might be attributed to a sense of confusion in the minds of dealers and investors on Wednesday, for when the jobbers immediately marked prices down, they discovered to their surprise that there were buyers at these levels. As a result, the *Financial Times* ordinary index gained 0.8 points to 316.0 on Wednesday. As prices had been reasonably firm ahead of the Chancellor's statement *The Economist* indicator gained 5.7 points to 376.1 over the week to Wednesday's close. Hire purchase issues and some domestic appliance stocks were slightly lower; but stores, tobacco, bank, building material and property shares made a number of gains, though it was notable that the rise in property shares was confined to those companies which had already made their arrangements for finance. Not too

much could be made of this immediate response, and on Thursday the market was definitely weaker: the *Financial Times* index fell very sharply by 8.7 points 307.3. Investors will need some time to measure the implications of the Chancellor's measures and exhortations. But, at first, there was some relief that he had asked for voluntary dividend restraint instead of proposing a freeze by compulsion; and the stock market may not be wrong in assuming that the real proof of disinflationary policies lies ahead—with Berlin and the possibility of industrial disputes to cloud the issue.

In its "might have been worse" attitude, the industrial market initially underestimated some of the tougher implications of the Chancellor's policies. First, he has been able to ask for voluntary dividend restraint in the knowledge that profits will be more difficult to earn and that margins will remain low. Long before his request, it was clear that there would be no marked increase in dividends in the coming months. Secondly, if the pressure on credit is kept up for some time, building and property development will be checked; hence to buy property shares now is to assume that before present development schemes are completed the restrictions will have been relaxed and new schemes put in hand. But many builders and developers will be effectively prevented from embarking on new projects; thus for the moment there is no new growth in shares whose prices have been tied to the prospect of continuing expansion. Thirdly, the result of the credit squeeze will be to force many companies into the market, either to fund their temporary borrowings or to raise money for new investment. They will have to pay high rates in a lenders' market. There are still major imponderables—the pound, industrial disputes, the

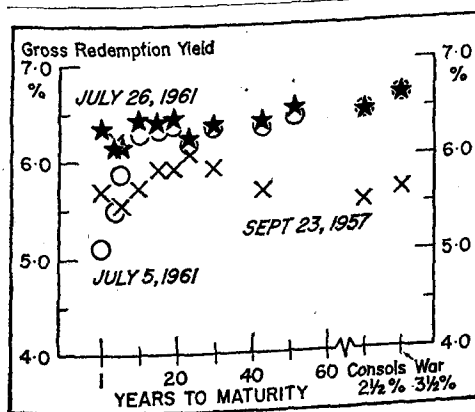


common market, the behaviour of trustees when they get their new powers—and for the time being investors are likely to stay on the side lines. They can get up to 7½ per cent from short-term deposits with local authorities. The fall on Thursday indicated that the stock market had begun to have second and more pessimistic thoughts and to take notice of the real purport of the Chancellor's measures.

No Foundation for Gilt-edged

IN the gilt-edged market prices fell by up to 1½ points in the short bond market and up to one point in the irredeemables. In relation to Mr Lloyd's actual measures this reaction is by no means large: in 1957, with the same increase in Bank rate and far less severe auxiliary measures, War Loan dropped by over four points on the news. This time, however, the measures had long been awaited, and while the short bond market was surprisingly ill prepared for a sharp increase in Bank rate, yields on long-dated and irredeemable securities were already, at around 6½ per cent, a full point higher than in 1957. So dealers had some reason for disappointment that there should be any further fall at all. At this level of yields, the fall can only reflect fears that the Chancellor's measures may not be strong enough. In fact the City has already modified some of its early scepticism—witness the sharp fall in equities on Thursday. But before they commit themselves at the long end of the gilt-edged market, investors, not unreasonably, are waiting for clearer indications of how much weight the government means to put behind the Chancellor's stand against wage inflation. This is the key factor that will almost certainly determine the fate of sterling, and while the higher Bank rate and the IMF credit will surely give adequate support for the next few months, the stock market investor needs to look further ahead.

The sober view taken by investors is illustrated by the contrast in the yield curve now and as it was after the first move to 7 per cent Bank rate. In 1957, the downward slope of this curve—towards lower yields on long-dated securities than on the short—indicated a view that rates would soon come down, and that investors were willing to sacrifice a little in order to make



sure of existing yields over a long period. Today, although yields on short bonds are notably higher than in 1957, yields at the long end are higher still. The curve is almost a straight line. Since shorter dated securities will normally yield less than long, on account of their greater liquidity, this shape of curve still indicates a feeling that short-term rates are unusually high. But the market is still guarded in its view of the future of long-term rates.

POST OFFICE CHARGES

A Commercial Bite

THE tariff increases I am proposing," Mr Bevins informed the House of Commons on Monday, "apply either to services running at a loss, or to services which produce an inadequate return on capital and where there is a high investment demand." The second of these criteria is plainly the more significant. It marks a decided shift in Post Office policy. Gone for the time being at least is all talk of "a telephone in every home." This would require an astronomical sum in capital investment to implement, which unless the Post Office were to succeed in persuading Britons to use the telephone more would be rewarded by a hopelessly insufficient return.

The initial connection charge for new telephone subscribers is to be doubled to £10 and the annual rental fee is to be raised by £2—to, for instance, £14 a year for a non-party residential line. In addition new subscribers living more than three miles away from an exchange are to pay an initial "excess mileage" charge of £40 a mile (after the first three miles) instead of the existing annual excess mileage levy of £16 a mile—though this will mean that after two and a half years new subscribers will pay less. These and other increases are designed to deter the marginal telephone user and free more of the Post Office's capital resources for investment providing a better use of the existing network—in subscriber trunk dialling for instance. "STD" has boosted trunk call business, one of the best money makers in the agglomeration of Post Office services, at every place it has so far been introduced, though it has not yet brought a comparable

extra increase in revenue from local calls. These are only just about paying their way, mainly because the majority of these calls now last less than three minutes.

All told, the Post Office is faced with a £25 million increase in working costs this year, mostly from higher wages. Mr Bevins expects to absorb about £10 million of this £25 million in higher efficiency and to raise £16½ million a year from the increased telephone charges. As in 1957, the last time a round of increased charges took place, the Post Office is taking a bigger bite than it immediately needs. Mr Bevins proposes to raise another £8½ million a year by increasing the inland postage rates on printed papers, samples, and newspapers and on parcels. All of these services are presently losing money. But there are a number of other loss-makers whose charges he has not changed—such as registered post, overseas mails other than airmail, money orders, and calls made at telephone kiosks. Inland telegrams, which lose proportionately more money than any other Post Office service, have been written off as a deficit service beyond redemption at any scale of charges. But Mr Bevins might have been a little bolder by raising charges for more of his department's services that do not show a profit.

RESTRICTIVE PRACTICES

A Clear Warning

THE Restrictive Practices Court has bared its teeth. After giving judgment against the scheme operated by the National Federation of Retail Newsagents which restricted the number of places where morning dailies published in London could be sold, the Court, under Mr Justice Diplock, warned the Federation and its members that any "deliberate attempt to evade orders of the Court" would incur the severest penalties, including imprisonment. This was after the Registrar of Restrictive Trade Practices had told the Court that the Federation had already decided, in anticipation of the Court's decision, to compile a list of "recognised points of sale" to be sent to anyone asking for it but not, the Federation claimed, to imply "any kind of recommendation."

The Federation's intention, Mr Justice

	Jan. 3	May 15	July 24	July 27	Yield %		Jan. 3	May 15	July 24	July 27	Yield %
Exchequer 3% 1962/3	95½	96½	95½	93½	6.52	Guest Keen	78/6	108/7½	88/10½	87/7½	3.65
Conversion 5% 1971	90½	91½	89½	88½	6.62	Hoover 'A'	41/9	54/9	36/6	36/3	3.61
Treasury 5½% 2008/12	93½	90½	85½	84½	6.55	Imps.	69/1½	68/3	68/9	67/9	6.64
Consols 2½%	43½	42½	39½	38½	6.57	Lancs Cotton	69/4½	59/3	54/9	54/4½	9.20
War Loan 3½%	58½	56½	53½	52½	6.71	Legal & General	22¼	37½	32½	32	2.97
AEI	40/3	42/9	38/6	36/9	8.16	Lloyds Bank	72/6	78/-	65/6	63/3	3.44
APC	70/3	96/9	78/-	76/-	3.29	Marks & Sp. 'A'	94/7½	115/10½	109/-	107/6	2.21
Bowater	53/6	66/3	55/3	15/3	...	P. & O. Defd.	41/3	43/7½	37/4½	36/3	6.07
Bowmaker	21/4½	24/10½	15/7½	53/6	5.14	Sears 'A'	26/3	34/10½	34/4½	32/9	3.82
BMC	15/3	17/-	14/10½	14/-	7.14	'Shell' Transport	108/9½	139/-	122/-	121/3	5.61
Capital & Counties	36/6	47/3	39/6	40/3	2.00	Tube Investments	74/6	80/9	68/9	66/1½	4.23
City Centre	60/3	64/3	54/-	55/-	2.30	Turner & Newall	55/4½	72/-	65/6	65/-	3.69
Distillers	31/9	41/-	33/9	33/4½	4.04	UDT	155/-	205/-	147/6	137/6	3.85
Dunlop	22/1½	28/9	25/3	24/6	6.46	Unilever	148/-	154/3	138/6	137/6	3.57
EMI	43/6	48/3	37/-	36/3	4.83	United Steel	58/9	66/9	54/10½	49/9	6.27
GUS 'A'	47/-	59/-	50/9	46/9	4.01	Watney Mann	76/9	96/9	87/6	87/-	4.14
						F.T. Ord. Index	305.9	365.7	315.2	307.3	5.14

Gilt-edged prices are shown net. * Ex dividend. † Adjusted for "rights" issue. ‡ Adjusted for scrip issue.

Diplock commented, was "plainly not to frame the list and hang it up in the Federation's offices." Clearly it was "a preliminary step to restrict entry" to the trade in another way. And, since the Federation argued that any such list was not registrable under the 1956 Act, Mr Justice Diplock added that the Court would not consider it mitigating circumstances in any action for contempt for a breach of the Court's injunction that the manœuvre had been made on the advice of a trade association's lawyers.

OVERSEAS TRADE

Switch in Exports

UNITED KINGDOM exports in the second quarter of 1961 were at best no better than in the first quarter and, if no allowance is made for the disruption of shipments caused by the dock strike at the end of last year, they were one per cent lower. But "bogged down" is not quite a fair description of the present state of the export drive. Apart from the United States, exports to industrialised countries continued to grow; exports to western Europe expanded by 5 per cent (seasonally adjusted) in the second quarter, and over the year the expansion was evenly spread between members of EFTA and the common market. In the second quarter, exports to western Europe were a sixth higher than in the corresponding period of 1960, but exports to the United States fell by 27 per cent and there is as yet little sign of recovery.

Exports to Canada were rising in the second quarter and the economic revival in America must have improved prospects for exporters to this market in the second half of the year. Exports to countries where trade is partly subject to trade quotas (the communist countries and Japan) advanced strongly, but shipments to the sterling area fell 8 per cent in the second quarter and were 2 per cent lower than a year earlier. Following the decline in commodity prices, exports to the remaining countries, which are also mainly producers of primary products, were reduced in the second quarter, although there was little change in exports to Latin America.

Even if it is accepted that the 4 per cent rise in exports in the first half of the year over the average for the whole of 1960, is a reasonably encouraging effort in the circumstances, imports hold the key to an immediate contraction in the trade gap.

They have been tracing an unmistakably downward course since the third quarter of 1960. At first the decline was chiefly in imports of food, beverages and tobacco. But between the first and second quarters of 1961, the principal fall has occurred in imports of industrial materials, which dropped by 8 per cent. Imports of finished manufactures levelled off; more capital goods were imported, but imports of clothing and other consumer goods appear to be declining.

BUSINESS NOTES

COTTON TEXTILES

Restrictions First

IN the five days at its disposal, the Gatt conference of major importers and exporters of cotton textiles hammered out a fixed procedure for restricting "excessive imports" that can be put into effect in October, obtained agreement that quotas for imports would be liberalised in January and set up a committee to produce a lasting solution to the whole problem by next April. Restriction of imports can be imposed when the cotton industry of an importing country is threatened with "disruption." However, no producer can be asked to cut exports below the level achieved in the twelve months to the end of June, and importers have undertaken to prevent non-participants disrupting the new scheme.

A considerable expansion of imports by members of the Common Market is in prospect next year, but presumably because governments have not yet had an opportunity of approving the arrangements, no details of actual concessions have been released. Britain will not be expected to make any substantial new concessions because its imports are already high. The question of admitting Japanese textiles to the British market will be settled when a full Anglo-Japanese trade agreement is negotiated. The cotton textile committee formed to deal with the long-term problem of cheap imports will meet in October, and will obviously have its work cut out to construct within six months a scheme that combines with the worthy objectives set out in the preamble to the new agreement an effective and acceptable solution.

Hongkong and Japan appear to be sceptical about the advantages of the agreement. The United States, for instance, now has a moral right to restrict imports from Hongkong. In effect, it can achieve the 30 per cent reduction in these imports below their level in 1960 that it has been seeking. Japan had hoped that such a move would redound to its advantage, but the immediate prospects seem a little less hopeful now. Special provisions have been made which will allow Canada to restrict imports unilaterally, although its government lacks the powers to bring about a decrease in the prescribed manner. The new provisions do not exclude other restrictive arrangements agreed between producers and importers. Producers will possibly get better than basic terms when actual restrictions are discussed. The Hongkong industry now appears ready to strike a bargain with Lancashire on the lines of the more favourable terms that have already been suggested by the British government.

WALL STREET

Equities Move Up

A correspondent cables:

INVESTORS in New York responded to the news of a fresh increase in defence spending by vigorously bidding for equities carry-

THE ECONOMIST JULY 29, 1961

ing the Dow Jones average to 695 on Wednesday, compared with 682 a week earlier. Wall Street talked in terms of a new leg of the Kennedy bull market. Interest was concentrated on issues that might benefit directly from military spending, particularly aircraft shares; but demand was in evidence on a broad front for the first time since the bullish fever of early spring, covering the cyclical groups—steel and motors—and raw material stocks. Brokers reported that a good deal of the buying was by individuals rather than institutions, which have become increasingly selective in their purchases. In fact some institutions have adopted a cautious attitude, taking the view that the government's new programme is superficially bullish but fundamentally bearish because it may be followed by restrictions on either prices or profits. But Wall Street as a whole now feels that a new boom is definitely in prospect, and while nervousness about the Berlin situation still exists, the consensus of opinion is that equities remain the best hedge against anything except nuclear war.

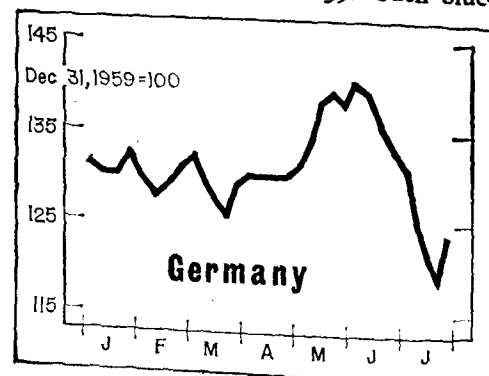
While President Kennedy's message gave the market a decided stimulus, investors were also cheered by second quarter reports from the leading corporations, which for the most part revealed a decided improvement over the first quarter both in profits and profit margins. Corporate earnings still lag behind those of a year ago, but the peak in 1960 was reached in the first quarter, while this year the expectation is for a steady rise in profits from the first quarter low. Equity prices, especially of growth stocks, already discount a substantial improvement in earnings and cyclical issues appear to offer relatively better value for the investor's money. Partly because they seem less of a risk with business activity assured of a sustained rise they are now coming back into favour. The real danger is a new wave of speculative enthusiasm that could carry equity prices too far too fast.

CONTINENTAL BOURSES

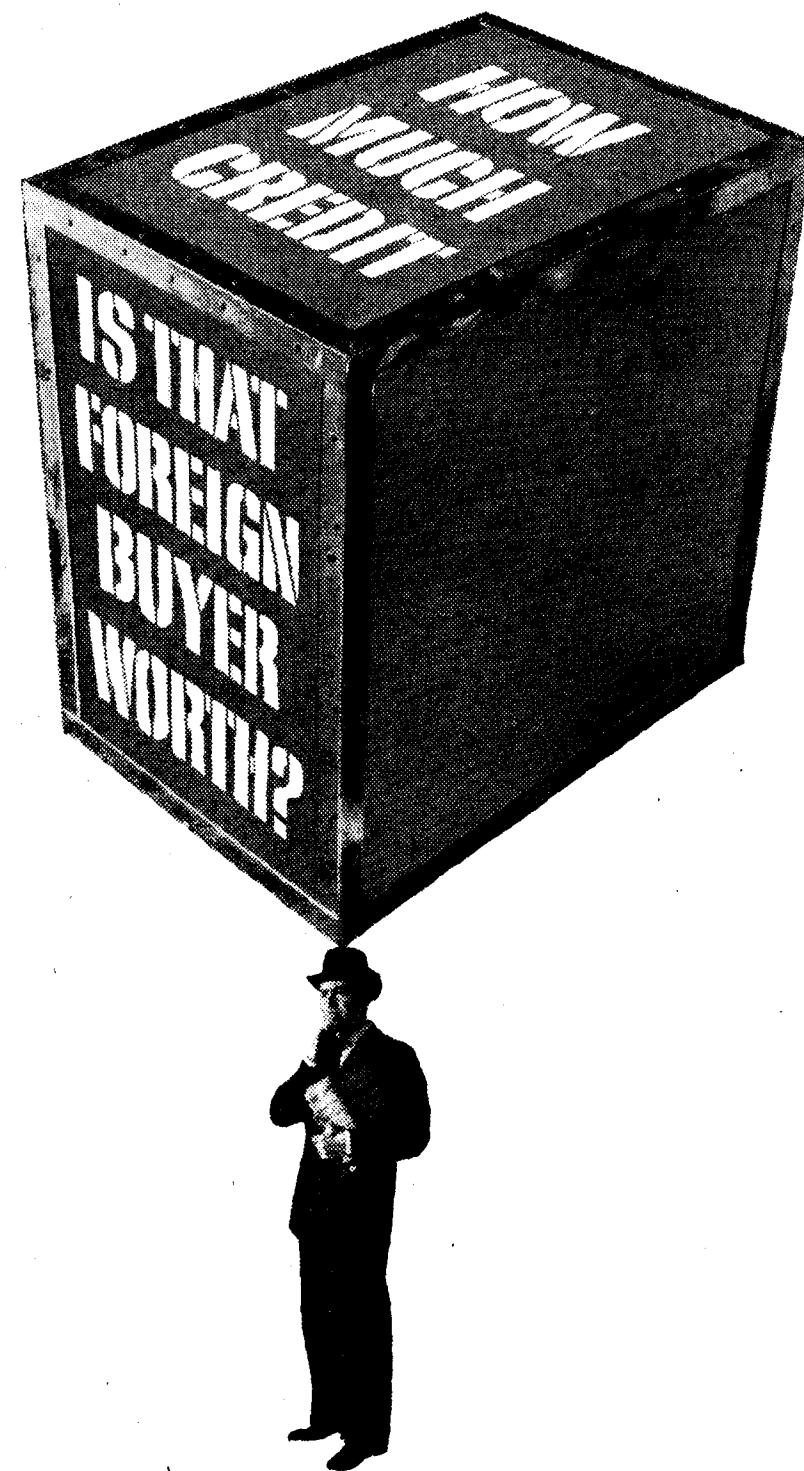
Berlin Shadows

Our correspondent cables from Germany:

THE international crisis over Berlin has, as the accompanying charts show, cast its shadow over share prices on the Continental bourses. Inevitably, the fall has been most marked in Germany. At the beginning of June the official index stood at 754; it now stands at 639. Such blue-



PROBLEM No. 2

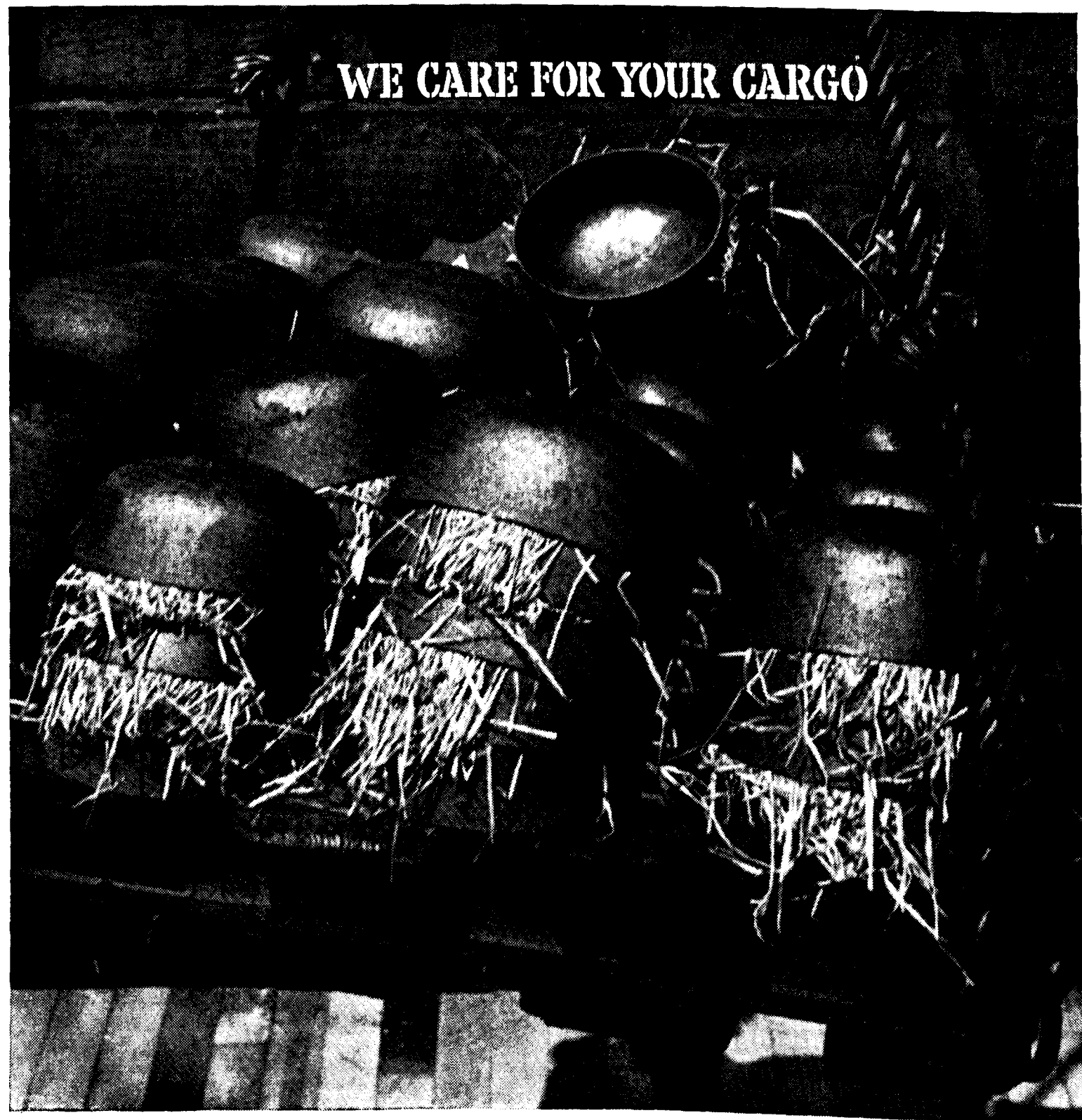


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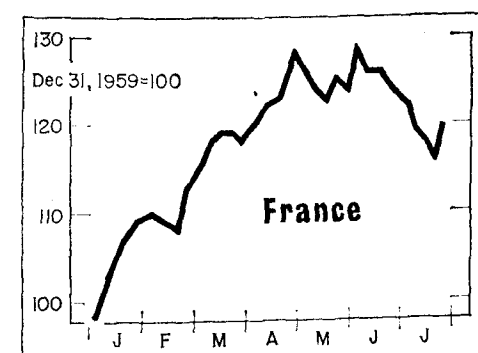
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WHAT'S THIS LINE? Not steel helmets but native cooking pots being shipped aboard a Harrison Liner for The West Indies.

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chips as Daimler-Benz have fallen from 2,900 to 2,520, Bayer from 820 to 714 and the sturdy newcomer, Volkswagen, from 1,100 to 895. Only steel and textile shares have remained fairly steady. At the same time—German memories being what they are—the price of a pre-1914 gold twenty mark piece has risen from DM 60 to over DM 65.

One might almost suppose, as one German commentator has noted, that an economic catastrophe had occurred in the Federal Republic. In fact, there has been no visible deterioration in the economic situation. The economy may not be booming quite as spectacularly as it was but it is still ticking over very comfortably and good profits look assured for some time to come. The fall in share prices is due to nerves about the Berlin crisis reflected, in particular, in sales by non-resident investors withdrawing their money from Germany. Prices recovered a little early this week, and then weakened after President Kennedy's statement about Berlin. Erratic movements in the market are expected to continue until the clouds over Berlin lift.

MOTORS

Will Car Buyers Wait?

THE Chancellor has done no more than was expected in increasing the rate of purchase tax on cars from 50 per cent to 55 per cent. Though this puts the cash price of a car up by only three per cent, hardly a big enough rise to have, by itself, a substantial effect on demand, some owners might postpone replacing their cars if they felt that this margin might come off again fairly soon. This is why the industry hoped that Mr Lloyd would say that the increase was a long-term one; instead he said that it could be reduced or removed at any time. There is therefore a risk that sales may fall off much more than they usually do at the end of the summer, and the effect of more difficult hire purchase on used car prices will also help to depress sales; some guesses, put the extra fall at from 15 to 25 per cent, but they cannot be more than guesses until the public's reactions become apparent. If the guesses prove correct, however, the industry will be on short-time again this winter, and the smaller firms will be weakened again. New models such as the Singer Vogue may, however, help to keep output above last winter's level.

The industry is even less likely to release labour than it was last winter, with the rapid recovery of this spring to confirm its ideas of fluctuation in demand and the difficulty it is still encountering in getting all the skilled labour it wants.

Seven per cent bank rate is bound to increase hire purchase charges, which the finance houses had intended to raise in any case. What is more, credit may be difficult to obtain for hire purchase, so that the restrictions that the finance houses were intending to impose on the type of car they finance may well become more stringent. Combined with the higher interest charges, this could depress the market for second-hand cars further; prices have already fallen by nearly ten per cent from the spring peak.

This threat of another check in home sales has come after a month in which the output of the industry was 23,192 a week, little more than two-thirds of its capacity. Strikes were partly to blame; at Dagenham one cost Ford about a week's output, while the stop in deliveries of Smiths' instruments slowed down production for other manufacturers, notably the British Motor Corporation. The combined effect may have been a drop of over 3,000 a week in the month's rate of output. But strikes seem to have had little effect on the three smaller makers, whose output still averaged only about 50 per cent of capacity, compared with nearly 90 per cent at BMC and rather under 70 per cent at Ford, despite their strike losses. Standard-Triumph International did raise its output somewhat, but that of Rootes may

AIRPORTS

Commercial Management

AFTER six months' investigation of the way the Government runs London's three civil airports, the Select Committee on Estimates had no hesitation in swinging its august weight firmly behind the airlines' proposal that an independent authority should be set up to run these airports rather in the way that the Port of London Authority manages London's docks. The committee disposed of the principal possible objection—that such a change would mean less Parliamentary control—by claiming that Parliament would agree if it were shown that more efficient and economic management would result. Of that, the committee had no doubts itself: an autonomous body "would be able to take decisions more quickly, would provide a more satisfactory career structure for its own specialised staff, and in general would be able to react in a commercial manner to what is essentially a commercial situation." It quotes the deputy-secretary at the Ministry of Aviation as saying that there were difficulties in "running a commercial concern by civil service machinery." The ministry's general manager for London airports told it that "with a civil service machine answerable to Parliament one has sometimes to take steps which in commerce one would forget."

The long-drawn out processes of Government planning by committee and working party are particularly inappropriate for a fast-growing and supposedly commercial operation like major civil airports. The new long-haul terminal at Heathrow was held up for two years while the Millbourn Committee deliberated in 1955-57, then delayed for another six months "to test public opinion," and is now not expected to be ready until early next year. A multi-storey



car park has been held up by similar bouts of official hesitation and, the select committee argues, by a failure to appreciate its full potential as a source of revenue. A more commercially-minded airport organisation would not have been so slow as the Government has been in practice to extract more income from rents and concessions. In particular it would not have entered into thirty-five year leases with the two oil companies supplying fuel at Heathrow under which the rents were based upon land values instead of throughput. A rent of halfpenny a gallon, the select committee calculates, would have provided Heathrow with an income of over £250,000 last year and probably over £500,000 by 1970. Above all, a commercial management would have provided itself much sooner than last April with current information about the costs and revenue earned by its various services.

Successive sharp increases in airport charges, culminating in the one-third increase in landing fees last April, have put London's airports in sight of breaking even. Provided "costs are controlled," the Ministry now reckons that Heathrow, Gatwick and (on a care and maintenance basis) Stansted will together just about cover all costs, including depreciation and interest on capital and their share of the cost of the Ministry's air traffic control by 1963-64. An independent authority should thus be able to start with a clean slate.

have been reduced by the production changes caused by introducing the Singer Vogue. Exports showed little sign of recovery; at 31,000 they were 2,000 more than in May but the same as those of April.

BANK CREDIT

Final Fling?

THE bankers now know what they have to face in the months ahead, and will surely tighten their grip on new lending. The Chancellor's measures may not hurt their profits. A 7 per cent Bank rate for the next six months, even if advances are held at their present level, would mean a considerable increase in earnings, and it would be surprising if this were fully offset by the likely switch to deposit accounts (now offering 5 per cent) and by losses on short bonds.

Although some of the buoyancy appeared to have gone out of advances in the closing months of 1960, increases in the first seven months of 1961 have averaged £46 million a month, compared with £64 million in the same months of 1960. In the four weeks to

BUSINESS NOTES

July 19th, advances increased by £52 million, of which £10 million was to state

LONDON CLEARING BANKS

	£mn.		Change on	
			Month	Year
	£mn.		£mn.	£mn.
Gross deposits*	7,523		+82	+275
Net deposits	7,037		+86	+258
		%		
Liquid assets	2,472	32.9	+77	+213
Cash	620	8.2	+10	+24
Call money	580	7.8	-10	+21
Treasury bills	1,017	13.5	+49	+51
Other bills and "Liquid" credits	255	3.4	+28	+117
Special deposits	147	2.0	+2	+42
Risk Assets —				
Gilt-edged	936	12.4	-36	-274
Other market investments	113	1.5	+1	-18
Advances*	3,549	48.8	+62	+313
(to State Boards)	71		+10	-3

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

boards, following a similar rise in the previous month. Liquidity, however, rose in the June-July period by 0.7 per cent and is now 32.9 per cent—1.7 points above July, 1960. The increase in advances was largely covered by sales of a further £36 million of gilt-edged, and gross deposits rose little

THE ECONOMIST JULY 29, 1961

more than the increase of £77 million in liquid assets. Bank liquidity continues to benefit from the weakness of the gilt-edged market, which has checked Government funding, and from the re-finance facilities for export credits. "Other bills and re-financeable credits" have risen by £91 million since the scheme was introduced in February, to a total of £255 million.

The latest increase in advances is due partly to the debiting of half-yearly interest. The increase for the two months to mid-July, at £102 million, is almost the same as a year before. The increases, however, are unevenly spread: the Midland's advances rose by £19 million; the National Provincial's by £11 million; and the Westminster's by £24 million. With another 1 per cent to be paid in special deposits by September, the Midland appears the most vulnerable of the big banks with a July liquidity ratio of 31.3 per cent. However, its investment ratio at 14.1 per cent is above the average, and compares with 11.5 per cent at the District and the National Provincial—whose liquidity is a shade more comfortable.

BANK OF CANADA

The New Governor

SIX and a half years ago, Mr Louis Rasminsky was passed over in the succession to Mr Graham Towers, the retiring governor of the Bank of Canada. Whatever the reasons then were, this week's news of Mr Rasminsky's appointment to succeed Mr James Coyne will be widely welcomed, not least because he is the "insider" who could do most to restore the prestige of the Bank after the painful business between Mr Coyne and Mr Fleming. The wounds sustained by the Bank, and indeed by the government, will take time to heal. Mr Coyne's success in his "You can't sack me, I resign" campaign was adroit to the point of brilliance but it was bound to inflict further damage on the prestige of the Bank already marred by Mr Coyne's altruistic but misguided speechmaking in the past two years. The respect for Mr Rasminsky outside Canada will doubtless help him in his urgent task of fence mending at the Bank.

Wider problems, however, remain to be solved before the relations between the Canadian government and the Bank are wholly satisfactory. In the end, a government must be master. Its wise course is to give a central bank independence of operation within a framework of economic and monetary policy for which government alone in these days can be responsible. The wisdom of central banking is to combine authority of view with discretion in its public expression, to conduct its technical business with high efficiency, and to earn the respect of the financial

and business community and of the general public. These principles have been admirably set out in a recent review by the well-known firm of bond dealers in Toronto, Saunders Cameron Ltd. The extracts below are printed with their permission:

The forthcoming Royal Commission on Finance will have broad terms of reference, but we think the structure, legislation and relationship with government of the Bank of Canada ought to be one of their earliest concerns.

As Mr Coyne suggests, government should be legally responsible for the Bank's monetary policy, leaving the details to the Bank's discretion. Government should not be able to accept plaudits for popular actions, leaving the Bank to take the brickbats for unpleasant acts.

Legislation defining the status and responsibility of the Governor, directors and the Minister of Finance merits scrutiny. We would think that directors ought to enjoy more responsibility in the management of the Bank, meeting more often than the customary four or five times a year, even if this means having a few full-time executive directors living in Ottawa. The fetish of regional representation and diversity of occupation might be abandoned, with an eye to securing persons of broad financial experience, even if this means weighting the board with banking, trust and investment types from major financial centres. The more expertly the directors comprehend what the Bank (or Governor) is doing, and why, the better they will be able to advise.

Legal powers of Bank of Canada over other financial institutions are rather few. The Bank may vary the cash reserve ratios of the banks, and it may set Bank Rate—although it has rejected this latter responsi-

bility. . . . We hope the old system of fixed Bank Rate returns.

Probably the powers of the Bank ought to be enlarged, not only as concerns chartered banks, but also as regards non-banking financial institutions (now beyond its control), whose independence may frustrate monetary policy. . . . We think the Bank's powers in this regard should be most carefully spelled out.

In recent years, the Bank . . . has been making suggestions, beyond its legal powers, and has had mixed success in having these adopted. . . . Collectively the suggestions created resentments which might have been absent had the Bank been merely the executor of Parliament's legislation. . . . Some of the Bank's suggestions, in recent years, are thoroughly worthy, such as the secondary reserve ratios, although there are differences of opinion as to the level thereof. The "notional segregation of savings deposits" provoked a public uproar, yet may not be too far removed from the actual practices of some banks. . . .

Surely there is a case for Parliament giving Bank of Canada every specific power which Parliament is convinced the Bank should have, and not one bit more, after hearings involving all interested parties. . . . Emergencies might be met by orders-in-council, valid until the next session of Parliament, which must be given a chance to replace them with legislation, or let them lapse.

The Bank's voice on the subject of monetary policy should always be heard with respect and attention. Its views on other matters ought to be welcomed (when expressed privately) by the appropriate Minister in the government. But when the Bank, or its officials (even when they may try to assume a private capacity) publicly propagate views on general taxation policy, tariffs, nationalistic or socialistic schemes, or foreign investment, there is grave danger.

These are matters on which the Canadian government and the Bank ought to be ready to agree after their recent public miseries.

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BRITISH DRUG HOUSES

No Real Alternative

SHAREHOLDERS in British Drug Houses have been deluged with more circulars this week, but their situation remains much as it was before the intervention of William R. Warner, which led to the postponement of the meeting to consider the proposed link up with Mead Johnson for a fortnight. When shareholders meet next Monday the only concrete proposals before them will be the proposed deal with Mead Johnson, in which the latter proposes to lend £5 million in cash to BDH in exchange for a 35 per cent stake in the equity.

The proposals from William R. Warner, the British subsidiary of the American company, Warner-Lambert Pharmaceutical, boil down to the suggestion that BDH should make a reverse bid for Warner on terms to be worked out by the accountants of the two companies. The fact that these proposals are so imprecise is attributed by Samuel Montagu, Warners' advisers, to "the continued refusal of the BDH management, in spite of repeated requests, to interchange information and financial data which we and Warners consider to be essential to the formulation of a specific proposal fair to all concerned."

In a spirited reply to this criticism Mr Geoffrey Eley says that no accountants could evaluate the growth potential created by BDH's developments, either in progress or contemplated. In addition he says that the proposal that BDH should exchange information "upon all practical and business matters . . . and prepare detailed information as to the very substantial capital and development expenditure (estimated by BDH at over £5,000,000) incurred and contemplated by BDH" would mean that if the merger came to nothing valuable information would have been given to a keen competitor. Mr Eley says that the Mead Johnson link-up has many advantages over the Warner proposals; perhaps his strongest argument with Bank rate at 7 per cent is that Mead Johnson is offering £5 million at 5 per cent for 7½ years while Warners propose "to procure that loan facilities at current interest rates . . . will be made available in such amounts to as are agreed to be necessary and profitable." It seems clear that while the Mead Johnson plan is well short of ideal, it is in fact the only runner and in view of the earlier tally of proxies it now seems likely to be approved.

UNIT TRUSTS

Secession and Disunity

AT the first annual meeting of the Association of Unit Trust Managers the late Sir Oscar Hobson, the first chairman of the association, said that he was impressed with the spirit among the members of the association; he also assured the meeting that there had been plenty of argu-

BUSINESS NOTES

In the Rootes Vogue



THE new Singer Vogue is very much the style of car that Rootes has specialised in for the past decade: a reasonably compact four-seater saloon, which makes some concession to current styling trends but in so restrained a manner that, with revised trimmings, the basic body shell should be able to survive for many years. In mechanical design Rootes has stuck strictly to conventional answers with this car, which differs from the Gazelle chiefly in having an engine of 1,600 cc instead of 1,500 cc—it is in fact the unit used in the Sunbeam Rapier, but fitted with one carburettor instead of two—which develops 62 bhp, compared with 56 bhp from the old engine; while the wheelbase is five inches longer, and the front track 2½ inches wider. The latter, which is combined with stiffer front springs, should help to provide better cornering; the extra wheelbase has been used mainly to bring the passenger compartment clear of the wheel arches, with the front seat set further back and the rear seat further forward, than to increase body space. The length of the car is increased by only 1½ inches, but the weight is 1 cwt more.

There are only four points that need greasing; nylon and rubber bushes have replaced metal bearings on the suspension and steering.

Selling for £956 at the new rate of purchase tax, the Vogue is competing with the Ford Zephyr and Vauxhall Velox; the Gazelle used to be nearer to the price of the Consul and A55, but its basic price has now been cut by £23, with the heater thrown in free, so that it will undercut these models. That Rootes has found it necessary to charge effectively £40 more for the Vogue than it used to ask for the Gazelle suggests that it finds an increase in its margins necessary; the new car should not cost much more to make than the Gazelle. The low rate of output that Rootes has experienced over the past year will have raised its costs, but so have increases in the costs of raw materials. The rather unexpectedly high price of the Ford Classic shows that other makers are suffering from this and it is likely that other new models that appear this year will also cost more than the models that they replace.

ment. Events have now taken on a different complexion with the resignation of the National group from the association.

Formally, the split is over the National group's refusal to supply for the individual trusts within its group the value of their funds and the number and value of units sold and repurchased in each. This rule of the association was made six months ago and other unit trusts have complied with it. They supplied the association with the necessary information "in confidence" and the association only published a total figure for the movement. Mr T. D. Mullins, the managing director of the National group at last week's meeting put forward an amendment to this rule (with which it has never complied for it has always submitted "global" figures for all its trusts) and as this did not receive the necessary majority he resigned on behalf of his group.

That the dispute between the association and the National group went deeper than just a divergence of views on this particular issue is evident from the latter's statement that the cost of the association was "inordinately high and out of all proportion to the benefits which the managers receive." Yet Mr Mullins was on the general purposes committee that drew up the asso-

ciation's constitution and presumably approved the fees and contributions which were laid down. The National group has now resurrected the Unit Trust Association, originally formed in 1936, and it has invited other unit trusts to join it. Thus two major groups are now outside the association—the National group and the Municipal and General group which has never been a member. The latter's relations with the association have, however, remained good and M and G has supplied it with its monthly figures. M and G has been critical of the association in the past, initially because the association did not have any rules and later because the rules it laid down were not strict enough. But the association's firm attitude in the present dispute has not gone unnoticed by Municipal and General and it has welcomed the appointment of Mr Kenneth Cole as the new chairman of the association. He has not an easy task ahead of him, for the movement is far from united in its attitude to managerial practices and to block offers and the association has now been weakened by the secession of the National group. The split, in fact, lessens the strength of the argument put by the association to the Jenkins Committee last

year that "the many details of the operation of unit trusts which the board now attempt to regulate should in future be dealt with by the association acting in collaboration with the individual managers and trustees."

SUGAR

A Stir in Sugar

WORLD production of sugar grew from about 5 million tons in 1880 to 58 million tons in 1960*. Since the war, growth in consumption has been more rapid than in any previous period and greater than that of any other major food. In general, sugar producers have not prospered to the degree that might have been expected; the "real" price of sugar in the free market (which covers only a third of all exports) in the five years to 1958 was only half the average for the first five years of the century. Despite the efforts of the International Sugar Council to match exports with the requirements of the free market, the price of sugar has dropped about £5 to just over £25 a ton since May. Apart from a brief period in 1959, it is now cheaper than at any time since the five-year international price support agreement came into force at the beginning of that year.

A prospective sugar beet crop in Europe of above average proportions was a major factor in the latest slide. For some time forward supplies of sugar have been offered at sizeable discounts; with deliveries from beet crops available in October, spot prices have now fallen, but forward discounts have narrowed. After alternating periods of ascendancy, beet sugar production again appears to be squeezing cane sugar in some of its markets. West Germany had a three-year trade agreement with Cuba under which it was obliged to take sugar. Because of its large domestic beet crops, 30,000 tons of Cuban sugar that should have been absorbed at the beginning of last year are now on offer in London. On a larger scale, the import needs of the whole of western Europe have been reduced by the largely unexpected increase in sugar beet production.

The influence of the maturing beet crop on prices is not a factor that the International Sugar Council can easily control. It set export quotas for suppliers as close to the minimum allowed under the agreement as practicable this year to produce an apparent balance between supply and demand. There is therefore little scope for shortening the lead still further next year, but after an exceptional season, European sugar beet production may be several millions of tons lower in 1961-62. Though the problem of finding alternative markets for Cuban sugar has been solved the world market has been knocked severely and there appears to be almost no bottom to prices for large tenders.

* *The World Sugar Economy, 1880-1959*, by The UN Food and Agriculture Organisation.

BUSINESS NOTES

FOREIGN BONDS

Activity in Amsterdam

A correspondent writes:

THE Amsterdam bourse was closed to foreign bond issues in 1955. In May it was reopened with a quota of Fls. 365 million, equivalent to £36.5 million, and this week the final balance of the quota was absorbed by a proposed Fls. 12.5 million 5½ per cent bond loan of the Norwegian Shipping Mortgage Bank. Ten loans have squeezed into this narrow allotment and most of them were heavily oversubscribed. The Dutch stags worked hard, submitting multiple application forms, and dealings in the bonds have begun at a premium. A queue of new borrowers waits for the Nederlandsche Bank to extend the quota, and some Dutch observers feel that in view of the continued liquidity of the capital market they will not have long to wait.

Foreign loans were originally barred from Amsterdam because of the heavy capital

THE TEN LOANS

Borrower	Amount (£ mn.)	Rate %	Issue price	Price, July 25
World Bank	5	4½	100	101
Wagon-Lits	1¼	4¼	98½	100½
Kingdom of Belgium	7½	4¼	100	101½
Eur. Investment Bank	5	4½	100	100½
Eur. Coal and Steel Community	5	4½	100	100½
Copenhagen Tel. Co.	2½	4¼	100	101½
Belgium Petroleum Refinery	1	5	100	100
Nat. Co. for Water-works, Brussels	5	4¼	100	101½
Eurofina	3	4¼	100	100½
Norwegian Shipping Mortgage Bank	1¼	5½	100	—

demands of the Dutch local authorities. But in the past six years these demands have been largely satisfied and the Netherlands has acquired, in common with some other continental countries, the problem of a large balance of payments surplus. Its gold and foreign exchange reserves rose from £477 million at the beginning of 1960 to £592 million immediately before the guilder revaluation in March. The government's success in restraining Holland's internal boom had the effect of maintaining the payments surplus, which produced two policy decisions: first to follow the revaluation of the guilder; and secondly to open the Dutch capital market to a limited extent to foreign loans. Such loans are seen as an important influence in controlling domestic liquidity and reducing the balance of payments surplus.

COFFEE

More Agreement

NOT a month passes without coffee producers meeting somewhere to discuss ways of supporting prices, but July's crop of conferences has probably been more significant than any earlier discussions this year. There are now several bodies con-

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cerned with coffee in Africa and Latin America, but this fact has not diminished the support of producers generally for a stronger International Coffee Agreement. Though some African exporters have been in ICA for only one season and they now have an Inter-African Coffee Organisation of their own, they have sensibly used it as a stepping stone towards greater co-operation with the more powerful Latin American producers. A "declaration"—a favoured form of agreement among coffee producers—was made this month in Rio de Janeiro binding Brazil and African countries to early discussions of their joint problems. Imports of green African coffee into the United States accounted for less than 2 per cent of that country's total imports in 1949. In 1955, Africa held 11 per cent of the market; in 1960 its share rose to 17 per cent, and in the first four months of this year it rose to 21 per cent. African producers already enjoy protected markets in Europe, and Brazil's concern at what Africans might do to the biggest exporter in its largest market is easy to imagine.

After the "declaration," coffee producers moved to Washington to look at suggestions for strengthening the present international agreement, and found the United States prepared to lend its powerful support. It is putting forward its own scheme for supporting coffee prices at a meeting of American states called for August 5th, and has been advised by its domestic trade association to join the ICA.

According to the United States Department of Agriculture, 62 million bags of coffee will be available for export next season, compared with 51 million bags (of 60 kilos) in 1960-61. It is estimated that importers took about 42 million bags in 1960, and the ICA fixed export quotas to controlled markets at 36 million bags for the quota year to September. Despite the massive surplus, which Brazil is to alleviate by consigning 6 million bags of poor quality coffee to the fire and effectively discouraging its production by adjusting growers' receipts like eager beavers the coffee producers have already thrown up such a strong dam between surplus output and calamity that one American broker claims that confidence in coffee—in contrast to the current level of prices—has never been higher.

COMPANY AFFAIRS

Comments on pages 501, 502 and 503 on:
Great Universal Stores General Electric
United Dominions Tst. Arusha Industries
Vaux and Associated Associated Television
Associated-Rediffusion Montecatini
Ruston and Hornsby International Tea
Courage, Barclay & Simonds
Truman Hanbury Buxton

LONDON AND NEW YORK

Stock prices, yields and security indices on pages 504 and 505

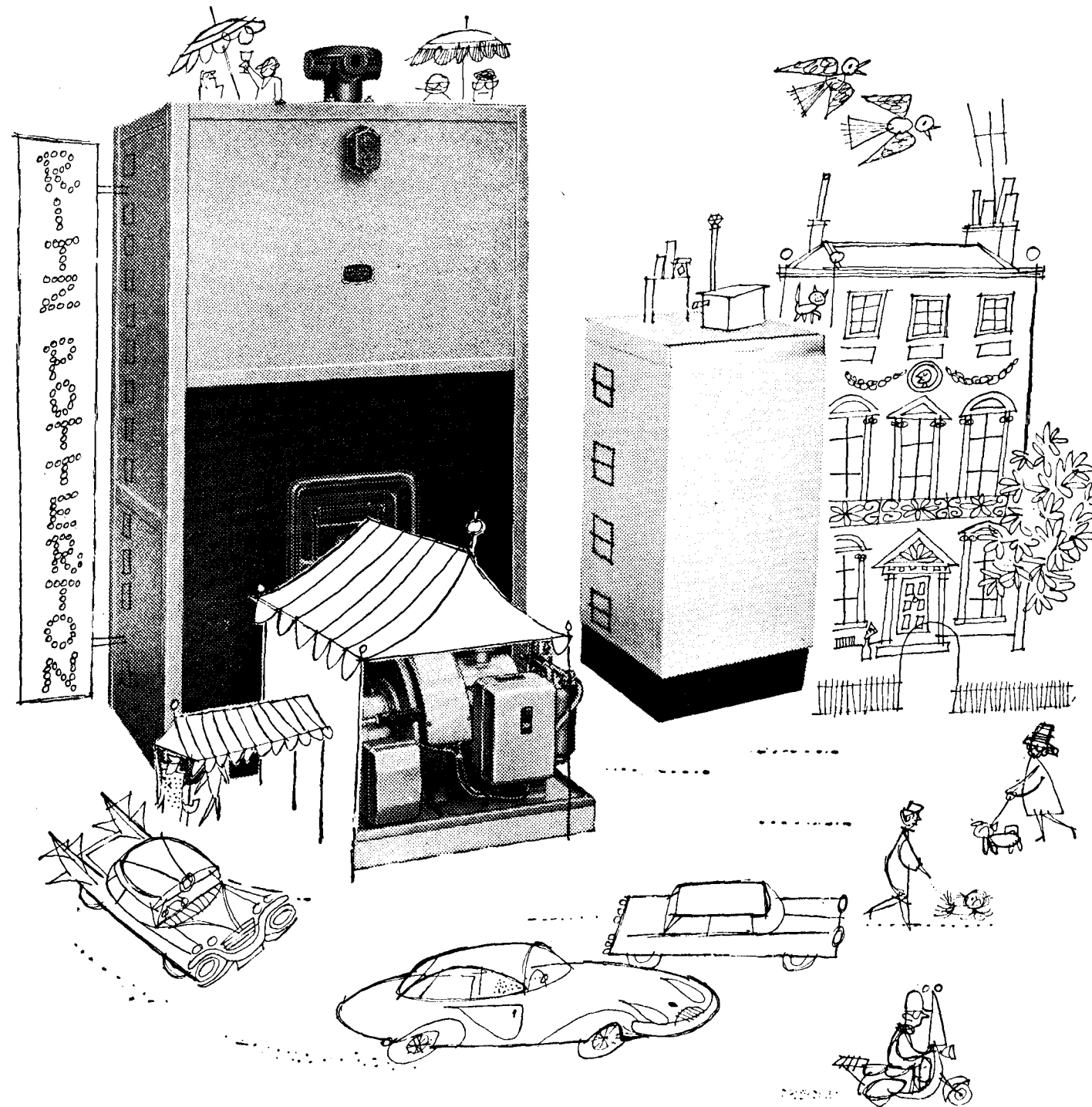
LONDON STOCK EXCHANGE

The week's movements reported on page 503

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 506

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A MEMBER OF THE DE LA RUE GROUP



THE DISTILLERS COMPANY LIMITED

CHAIRMAN'S STATEMENT

In view of the current Rights Issue the Board of The Distillers Company Limited has deemed it desirable to publish the Chairman's Statement in advance of the publication of the accounts. The accounts are now being printed and will be posted to shareholders on the 23rd August.

GENERAL OBSERVATIONS ON TRADING

The trading results for the year were again a new record in earnings, which when considered in relation to the exceptional profit last year, and taking into account the rather unsettled conditions in industry generally, can justifiably be regarded as very satisfactory.

The total value of the Group's turnover was £263 million, which was an increase of 13 per cent over the previous year. Scotch Whisky and Gin Companies on this occasion entirely accounted for the increased profit, and their proportion of the total is at present 82 per cent, the Industrial Group accounting for the balance of 18 per cent. More detailed reference to these Groups will be made later in this report.

Turning now to the Accounts, the profit for the year to March 31, 1961, was £32,079,568 compared with £30,419,758 last year. Income from trade investments was practically the same at £2,378,592 and interest on Loan Stocks was some £60,000 lower at £590,432 as a result of the repayment last September of the last £2 million of the 3½ per cent Unsecured Loan. The profits attributable to outside shareholders in subsidiary companies were £377,122 against £533,715 last year, and the profit of the Group before taxation was thus £33,490,606 compared with £31,610,124.

With the increase in profits tax to 12½ per cent, taxation required £16,266,382 against £14,743,700 and therefore the Net Profit after tax was not much higher than last year at £17,224,224 (£16,866,424). Of this, £3,493,637 has been retained by subsidiary companies and, after charging the cost of the recent capitalisation of reserves, £109,780, and adjusting taxation for the previous year, the sum of £13,656,219 remains to be dealt with by the Company.

Your Board recommend that a final dividend be paid on the Ordinary capital at the rate of 8½ per cent, which, with the interim dividend at 6 per cent paid prior to the two issues of capital mentioned later, is equivalent to 13½ per cent for the year on the capital as augmented by the capitalisation of reserves. For the purpose of comparison, the rate last year corresponding to 13½ per cent this year would be 12½ per cent on the capital as increased by the scrip issue.

The Board have reviewed the prospects for the current year, and, having regard to the further increase in profits tax levied in this year's Finance Act, intend to declare an interim dividend in December at the same rate as last year, namely 6 per cent, but on the higher capital created by the capitalisation of reserves and the current Rights issue.

At March 31, 1960, the issued Ordinary capital of the Company was 157,516,931 shares

of 10s. each. By the capitalisation of reserves, the capital was increased by 31,503,386 shares and, in connection with the offer to the ordinary stockholders of The British Xylonite Company Ltd., 7,443,437 Ordinary shares had been issued at March 31, 1961, making the total Ordinary capital at that date 196,463,754 shares of 10s. each fully paid.

In the Consolidated Balance Sheet, we have on this occasion incorporated the assets and liabilities of the British Xylonite Group as at that Company's former date of balance, December 31, 1960, as in view of the date of acquisition of the capital of the Xylonite Company, it was impracticable to arrange for a change in its accounting date to coincide with ours. If, on examining the position in detail, there is no serious objection from a taxation viewpoint, we shall arrange accordingly.

However, the consolidation of the Xylonite figures with our own make comparison with the previous year somewhat less easy than usual. Our own investment in buildings and plant increased by approximately £7½ million. The main items were the construction of additional warehousing facilities for our Scotch Whisky business, and part of the cost of our new acetic acid plant at Hull, and of the latest extension to our polyvinyl chloride plant at Barry. Our stocks again increased, owing mainly to the larger quantity of Scotch Whisky held in warehouse.

The reserves of the Group have diminished by the amount applied in payment of our recent scrip issue, £15,751,693, and increased by the retention of profits for investment in the business, amounting to £9,060,436. They have also been augmented by the premium attributable to the issue to the stockholders of The British Xylonite Company Ltd., computed at £3,117,909 on the basis of net assets acquired. The total reserves of the Group now stand at £27,687,135.

In my Statement three years ago, I foreshadowed the possibility of fresh capital being required. The increased volume of trading since then and projected capital investment programme over the next few years make it clear that it is now desirable to provide additional funds by way of new capital. The Board therefore decided to make a Rights issue in the proportion of one new Ordinary share for every ten held at June 1, 1961, at a price of 32s. 6d. per share. Shareholders have already received full information on this in the circular letter dated July 7th, which accompanied the provisional allotment letters.

Before dealing with the year's operations in detail, I would refer to the increase from July 1st in the retail prices of Group standard brands of Scotch Whisky and Gin in the home market of 1s. 6d. per bottle to 39s. for Scotch Whisky and 37s. 3d. for Gin.

This increase was necessary because of rising costs, particularly in the distributive sectors of the industry.

SCOTCH WHISKY

Distilling operations by our Malt and Grain Distilleries have been maintained at a high level

of output and efficiency throughout the season.

A new technical control establishment has been erected in Elgin, Morayshire, to provide closer and more effective control of the operations of our forty-one Malt Whisky Distilleries, the majority of which are located within easy reach of Elgin, and beneficial results have already been achieved through this arrangement.

Cardow Distillery, Morayshire, has been completely reconstructed and re-equipped. Distilling was resumed last May with a substantial increase in production. A large part of Talisker Distillery, Isle of Skye, is also in course of reconstruction following upon the destruction of the still-house by fire.

I referred last year to the new blending and bottling plant and offices of John Dewar & Sons Ltd., near Perth. Good progress is being made, and the plant will be in operation by the end of this year.

Additional Scotch Whisky bonded warehouses are now being constructed at Menstrie, Clackmannanshire, to accommodate our increasing stocks.

Scotch Whisky stocks held by the entire industry at March 31st last once again showed an increase, and amounted to 296.9 million proof gallons, as compared with 267 million proof gallons the previous year.

The constantly rising levels of stocks reflect the current optimism of the industry in general, regarding the future trend of sales. As I have stated previously, our own production policy is based on our best forward estimate of market conditions, taking into account the rising consumption of recent years and the evidence that Scotch Whisky has a wider appeal and acceptance than ever before in all parts of the world.

The total sales of the industry during the year under review have shown a substantial increase in both home and export markets.

A marked increase of approximately 14 per cent has taken place in home trade sales, and it is a special point of interest that this is the first time that home sales have reached the pre-war level.

I am glad to say that our brands have shared in these increased sales, and they enjoy a very satisfactory proportion of the home market. Having regard to the growth in population and the higher standard of living in recent years, there should be opportunities for still further expansion.

It is also not without significance that while home and export sales prior to the war were approximately equal, viz., 7 million proof gallons each, exports of Scotch Whisky have more than trebled since that date.

The Scotch Whisky Association again made strong representations to the Chancellor for a reduction in the present exorbitant rate of spirit duty. It should be noted that duties on alcoholic beverages other than spirits have been materially reduced in recent years.

So far as exports are concerned, the USA continues to be the largest single market, although competition has become more intense. Last year I referred to the USA tax regulations, under which imports of Scotch Whisky in bottles

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at the normal marketing strength of 86° American proof are taxed on an assumed basis of 100° proof, whereas American Whiskies incur duty only on the actual alcohol content. We consider this to be an unfair handicap to our industry and the assistance of the Board of Trade has been sought in an endeavour to have this discrimination removed.

In Canada the present state of the economy has militated against any substantial increase in sales. The main problem, however, is the basis of assessing duty and the method adopted by the Provincial Liquor Commissioners for determining selling prices, which operate unreasonably to the disadvantage of Scotch Whisky.

Last year I referred to the substantial increase in our sales to Australia as a result of the removal of import restrictions, and I am glad to say that our position in that market has been fully maintained.

In New Zealand, too, we are in a strong position, but unfortunately, after a period of progressive relaxation of controls the New Zealand government has again found it necessary to take steps to reduce the volume of imports of Scotch Whisky and other spirits.

Perhaps one of the most significant and encouraging features in the last few years has been the very substantial increase in the Industry's sales to Europe.

So far as the Common Market is concerned our investigations to date indicate that our position should not be materially affected if and when HM Government decides that the United Kingdom should join the Common Market.

In Cuba, also, business has been severely curtailed and exports to that market are at present negligible.

I am glad to report that there has been a distinct revival of business in the Argentine which, for the period under review, has taken a leading place in the list of Central and South American markets. This is a position which the Argentine held before the war but it has not done so for many years past.

In surveying the export position generally the outlook is reasonably promising, but we are, as always, affected by local import restrictions. Competition too is becoming much more severe, but the strength of our brands in most world markets gives us every reason to hope for continued progress in those countries where import business can be carried on under more or less normal conditions.

GIN

I am glad to report that home sales of our brands—in particular Gordon's and Booth's—continue to increase and, during the year under review, reached a record level. This is particularly gratifying because, as I have indicated previously, our London Gin Companies are meeting growing competition, but there is evidence that the public's preference for our leading brands is based on our high and unvarying standards of quality.

The new bottling plant for Booth's Distilleries Limited at Brentford, Middlesex, was completed during the year, and is now operating well.

Once again, our total export shipments showed a substantial increase. As a Group we are the largest exporters of Gin in the United Kingdom.

With regard to overseas, the sales of our brands of Gin produced in the United States again showed a marked increase.

Our Gordon's Gin Distillery in South Africa continues in full production and sales show an

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encouraging increase. Our Brazilian unit, Destilaria Gordon Ltda., has now been in operation for two years, but sales have not yet reached a satisfactory level. We have now also commenced local manufacture of Gordon's Gin in Venezuela.

In France, local production of Booth's Gin has recently commenced, and sales are satisfactory.

VODKA

The potential market for Vodka in the United Kingdom has been under consideration for some time. It is now proposed to produce a brand for the home market under the trade name "COSSACK," which will be available for sale very shortly.

AUSTRALIA

Our subsidiary, United Distillers Pty. Ltd., has established a prominent position in Australasia in the production of Australian Whisky and Gin.

As was recently announced in the Press, your Company has acquired the entire capital of an old-established Brandy business in Australia, Tolley Scott & Tolley Limited, Adelaide. This acquisition will broaden the base of our present operations in Australia.

INDUSTRIAL GROUP

There was a satisfactory increase in volume of turnover of the Group, particularly in chemicals and plastics, but in the latter part of the year this was largely offset by lower selling prices which led to reduced profit margins. Competition was keen and was aggravated by the large increase in dumping. This applies, of course, not only to the chemical and plastics industries but over a large range of manufactures. In view of the deterioration in the national balance of payments, it is noteworthy that the criticisms which have been directed at the competitive ability of British industry have largely failed to emphasize this extremely important factor, which adversely affects not only our home market but also our ability to export.

However, while it is clear that strong competitive influences will continue to prevail, at least for some time, there is a substantial growth potential in the chemical and plastics industries and we expect to share in the expansion of demand which may be foreseen with reasonable confidence.

CHEMICAL DIVISION

During the past year, new plants were commissioned at Hull and Carshalton which have increased both the range and volume of our production of intermediates and speciality chemicals, for which there is a steadily growing demand.

The erection of the large acetic acid plant to which I referred last year, is proceeding well. The continuous phthalate plasticiser plant has proved entirely satisfactory but, unfortunately, had to be operated below capacity for much of the year owing to the world shortage of phthalic anhydride. Our associate company, Grange Chemicals Limited, has recently announced its intention to construct a plant with a capacity of 15,000 tons per annum for the manufacture of phthalic anhydride.

Our calcium carbide factory at Kenfig worked to capacity and all production was sold.

Carbon dioxide capacity was substantially increased and sales reached a new record level.

Much attention has been given to improving the efficiency of existing plants, and there has been steady progress in instrumentation and automation.

There have been increased sales by the associated companies of the Chemical Division. Orobis Limited, which produces lubricating oil additives, had its most successful year. Extensions to the Hedon Chemicals Limited vinyl acetate plant have been successfully commissioned on schedule and further expansion is now under consideration.

BRITISH HYDROCARBON CHEMICALS LIMITED

This Company, in which we have a 50 per cent interest, and its subsidiaries, Forth Chemicals Limited and Grange Chemicals Limited, have all had satisfactory trading results during the year under review.

Last October, plans were announced in the Press covering the establishment of a new petroleum chemical centre at Baglan Bay, South Wales, and work is now proceeding.

This new development at Baglan Bay is, of course, a progressive one, and it will afford the Company adequate facilities in the years ahead for increasing its scale and range of petroleum chemicals.

PLASTICS DIVISION

The increased capacity for Geon polyvinyl chloride authorised last year is nearing completion, and in view of the prospective growth in demand, consideration is now being given to a further extension.

Sales of styron polystyrene, produced by Distrene Limited were good and our plant is operating at full capacity. This result has been achieved by marketing additional grades to supply new outlets in the packaging and industrial fields.

British Resin Products have also had increased sales, and polyester resins in particular have been well received for reinforced plastics applications. New water soluble resins, developed in our Research Laboratories at Barry, have created widespread interest.

The amalgamation of the operations of the British Xylonite Company Ltd. with our present activities in the chemical and plastics fields should produce economies and also benefit both companies in the pooling of research and engineering facilities.

BIOCHEMICALS DIVISION

This Division had a more successful year in spite of further deterioration in export prices of basic antibiotics. This improvement in trading results was achieved by reorganisation of production and research facilities, and by increasing diversification of the Company's range of products.

Overseas, our two subsidiary companies in Australia and New Zealand continue to make progress.

Sales of our unique sedative "DISTAVAL" have expanded considerably both at home and overseas. A number of new products incorporating this substance are being established.

There is constant need to develop new products in the highly competitive conditions which exist in the pharmaceutical industry. To this end, a new Pharmacological Laboratory has been established at Speke, thereby increasing the facilities available for screening of substances

which may have therapeutic value. Additionally, improved plants for processing antibiotics have been commissioned which incorporate new techniques evolved from our development work.

FOOD DIVISION

Home sales of yeast have remained steady at last year's levels, but our exports have continued to expand and additional capacity is now being installed for the production of dried yeast.

The Peerless Refining Company (Liverpool) Limited has successfully maintained its position as one of the principal suppliers of oils and fats to the Flour and Sugar Confectionery industries.

The Division as a whole had a very satisfactory year's trading.

AUSTRALIA

Our associated company, C.S.R. Chemicals Pty. Ltd., has had a difficult and disappointing year due to two main causes: decreased demand from many industries resulting from the credit restrictions imposed by the Australian Government, and severe import competition following the virtual abolition of import licensing. Unsettled conditions have resulted. It is to be hoped that the Australian Government will take steps to assist the young and necessarily high-cost Australian industries in these adverse circumstances. At the same time, every possible step will have to be taken by the industries concerned to improve their competitive position.

SOUTH AFRICA

In spite of the disturbed political situation in the Union, our associated company, National Chemical Products Limited, has made good progress with increased turnover and profits.

TECHNICAL DEVELOPMENT

Our Research and Engineering staffs, who play an important part in our diverse operations, have again been fully extended during the year.

In view of the increasing technical complexity of our activities, additional laboratory and library facilities are being installed at the central Research Department, Epsom. The total budget for research for the year under review was nearly £2.5 million.

PERSONNEL

We have had a successful year under increasingly competitive conditions, and the achievement of this success has been greatly assisted by the loyalty and keenness of all our employees, both at home and overseas. On behalf of the Board, I should like to record our grateful thanks to them for their untiring efforts in the service of the Company.

FUTURE PROSPECTS

As will be clear from the earlier part of this Statement concerning the raising of fresh capital, the Company is planning for expansion.

Scotch Whisky and Gin sales continue to be good and while we have to take into account a greater degree of competition in all markets, your Directors are of the opinion that over a period of years the demand may well rise to appreciably higher levels. On that assumption, your Company will be well-equipped to take advantage of expanding and new markets.

The outlook for the Industrial Group is

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generally favourable, subject, of course, to a return to more normal conditions in a number of industries which the Group supplies. In order to counteract the trend of world prices to lower levels, we are pursuing a policy of broadening the range of our products and increasing the production of certain existing materials. By this means your Company hopes to be in a position substantially to increase the present volume of trading and to achieve further improvement in earnings.

ALLIED IRONFOUNDERS LIMITED

GROUP SALES INCREASED:

PROFIT MARGINS REDUCED

MR G. S. STEVEN'S REVIEW

The thirty-second annual general meeting of Allied Ironfounders Limited was held on July 20th at Caxton Hall, Westminster, S.W., Mr G. S. Steven (Chairman and Managing Director) presiding.

The following is an extract from his circulated statement:

The trading profit of the Group for the 52 weeks ended April 1, 1961, is £2,829,425 compared with £3,005,081 last year the decline being attributable to increased costs of both manufacture and distribution which were absorbed in sales without corresponding increases in selling prices.

The profit available for disposal after retentions is £993,068, which, with the balance of £289,423 brought forward from last year, gives a total of £1,282,491 available for distribution and transfers to reserve.

The Directors recommend that £249,330 should be transferred to General Reserve to bring the total to £3,750,000, which, together with the balance of Unappropriated Profit of £676,569, makes up total Revenue Reserves of £4,426,569. The Directors also recommend that a final Ordinary Dividend should be paid, making 20 per cent for the year.

We have spent in total over £1,300,000 on modernisation and development in the year to April 1, 1961.

SOUTH AFRICA: Our plants at Durban and Newcastle were kept fully employed during the year, although there has been some reduction in sales during the last two months. We are excellently placed to take full advantage of any improvement in local conditions. There is no doubt that the standard of living of the native population is rising and that they are demanding increasingly more expensive appliances including electric cookers of which we are the largest makers in the Union.

After referring to the acquisition of Bilston Foundries Ltd. and J. S. & F. Folkard Ltd., the Chairman continued:

FUTURE PROSPECTS

The Building Industry, which absorbs the greater part of our production, remains prosperous and, provided there are no serious international complications or internal economic crises, the year ahead appears to offer an opportunity for the continued expansion of business.

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Virtually none of our products attracts Purchase Tax and we are therefore less likely to suffer directly from the Chancellor's "economic regulator"—should he decide to use it—than many other companies.

The sales of the Group showed a significant increase during 1960/61, without taking into account the turnover of recently acquired Companies, but the increased costs of selling and manufacture, which we absorbed to keep prices stable, have reduced profit margins. Recently, however, we have been compelled to ease this burden by increasing prices for certain products.

In my statement last year I mentioned the growing interest in central heating boilers and our awareness of the potential of this market by our acquisition of Frederick Kay (Engineering) Ltd. and Watts Metal Industries Ltd. This market continues to develop, and we have now formed a new Sales Division to exploit it to the best advantage. The new Division is known as the Aga Heating Division. The solid fuel appliance industry as a whole has benefited from the new marketing policy of the National Coal Board, and our sales of Aga solid fuel boiler: in particular show an encouraging increase.

We have installed plant and equipment for the production of plastic goods during the year and many of the Group's requirements are being met from our own resources. Rainwater and soil pipes and fittings are now available on the market in plastic as an alternative to cast iron and our own new plant for the manufacture of plastic pipes and fittings is now in production and the output is undergoing user trials. It is our intention to enter the market during the current year, and the results of the advanced techniques which we are employing are most encouraging. As the largest producers of pipe and fittings in cast iron for the building industry, we shall be in a position to supply them in both the new and the traditional materials.

The report and accounts were adopted.

G.R.A. TRUST

POINTS FROM MR F. S. GENTLE'S STATEMENT

The 33rd Annual General Meeting was held on July 26th.

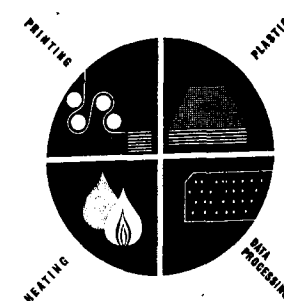
In the Chairman's Statement, previously circulated, Mr Francis S. Gentle, CBE, after referring to the improved results, reported that the £200,000 Olympic Enclosure at the White City had been widely acclaimed and would strengthen the Company's competitive position.

The effects of the new Betting Act were being closely watched. Any move to enable betting offices to remain open after 6.30 would be resisted.

The Board was also alive to the restrictive effect which the recommendations of the Royal Commission on Local Government in Greater London might have on the choice of Appointed Days. This could lead to increased competition between Tracks in the Greater London area.

On freehold property, Mr Gentle warned against the impression that greyhound stadia could quickly and profitably be turned over to other uses. This was to reckon without the Planning Authorities.

But, taking the long-term view, the enterprise was soundly based and Mr Gentle expressed confidence in its future.



THE DE LA RUE COMPANY LIMITED

De La Rue

The value of diversification & international expansion

MAIN POINTS FROM MR. B. C. WESTALL'S REVIEW 1961

HIGHER CONTRIBUTION TO PROFITS BY BANKNOTE AND HEATING SUBSIDIARIES

Although the results of the Formica Group are lower this year, those of the Thomas De La Rue Group and the Potterton subsidiary are substantially better. Group profits before tax are fractionally above last year. Net profit after tax is slightly lower, because Thomas De La Rue and Potterton are wholly owned subsidiaries (American Cyanamid own 40 per cent of the equity in Formica International Limited), the net profit attributable to The De La Rue Company is some £30,000 better for 52 weeks, as compared with 53 weeks last year.

PROFITS OF MAIN SUBSIDIARIES

	1960/61 £	1959/60 £
Thomas De La Rue & Co. Ltd.	587,899	321,186
Formica International Ltd.	1,506,548	1,786,819
Thomas Potterton Ltd.	351,570	257,124

FURTHER INCREASE OF EXPORTS AND OVERSEAS BUSINESS

Our exports rose from £4,592,000 to £5,243,000. Output of our overseas companies rose from £4,337,000 to £5,217,000. Of the total turnover of £18½ million, exports and overseas business accounted for £10½ million this year, compared with £9 million out of £17 million last year. Of the total capital of the Group, 35 per cent is now invested outside the U.K.

INCREASED TURNOVER EXPECTED TO OFF-SET CONTRACTION IN MARGINS

Profits before tax as percentage of turnover fell from 13.4 per cent to 12.3 per cent, but it is likely that this contraction will be more than off-set in future by the Group's expanding turnover.

BALANCE SHEET

Due to heavy investment in plant and machinery, the surplus of current assets over current liabilities is now £3,338,343 compared with £4,202,199. Consideration is being given to the best course to adopt when the Company will need further finance.

PROGRESS OF SUBSIDIARY AND ASSOCIATED COMPANIES

The Thomas De La Rue Group

Orders for banknotes have increased and additional business in banknotes and stamps

SALIENT FEATURES

	1961 £	1960 £
Group Turnover:		
Home Sales	8,082,000	8,127,000
Export Sales	5,243,000	4,592,000
Sales by Overseas Companies	5,217,000	4,337,000
	18,542,000	17,056,000
Group Profit before Tax	2,287,000	2,282,000
Profit before Tax as a percentage of Turnover	12.3%	13.4%
Group Capital Employed	11,306,000	10,140,000
Profit before Tax as a percentage of Capital Employed	20.2%	22.5%
Profit after Tax attributable to the Ordinary Shareholders	750,000	720,000
Ordinary Shareholders Equity Interest	6,895,000	6,253,000
Profit attributable as a percentage of Equity Interest	10.9%	11.5%
Profit attributable to the Ordinary Shareholders	750,000	720,000
Ordinary Dividend (less Income Tax)		
Interim paid—9d. per share (1960, 6d. per share)	128,000	68,000
Final proposed—1s. 6d. per share (1960, 1s. 9d. per share)	255,000	238,000
	383,000	306,000
Total Dividend		
Cover for Dividend on Ordinary Shares	2.0	2.3

has been taken over from Waterlows. Thomas De La Rue's banknote factories are working to capacity and the order book is fuller than last year. A contract has been obtained from the Japanese Government for banknote printing machines. The new financial printing business is expected to develop steadily in the next two to three years; the subsidiary in New York has turned the corner and it is hoped will obtain a bigger share of bond and share certificate business in America. Our Mexican and Colombian companies have only just been incorporated—Latin America has good prospects for expansion. De La Rue Instruments have made remarkable strides with 80 per cent export business in banknote counting machines and there has been a rapid expansion in the Security Express transport services for cash and valuables now extending to cities outside London.

Formica International Limited

This has been a mixed year. The French and Australian subsidiaries show a substantial improvement, and in its first year the New Zealand company has done surprisingly well, with an initial loss of only £6,000. The German company has been slower to develop due to technical and plant construction difficulties. The results of Formica Limited in the United Kingdom have been a little disappointing because of credit restriction on the furniture industry but this was partly off-set by expansion of industrial laminates. Since the close of the year, sales of FORMICA BEAUTYBOARD and decorative laminates have

been improving, and a new grade of Formica laminate for exterior use has been produced.

Thomas Potterton Limited

Turnover has increased substantially in spite of credit restrictions and the number of boilers sold has increased even more. Increased profit has come partly from turnover, but mainly from reduced costs of production. The range of gas boilers has been re-modelled and the range of oil boilers extended and a new gas-fired, warm air circulator introduced. A new Works has been bought at Leamington Spa to handle increased production and a new subsidiary has been formed in Australia.

De La Rue Bull Machines Limited

Progress has been as expected and a number of important contracts obtained. Energetic efforts are being made to train more personnel for this highly technical business. As previously stated, this is a long term project which cannot be productive of profit for several years.

OUTLOOK

This must depend on the general conditions of trade throughout the world. Subject to this reservation, and bearing in mind our investments abroad, the prospects for the current year appear satisfactory, and in years to come we shall reap the reward of our investments in the last year or two.

Copies of the full Report and Accounts can be obtained from De La Rue House, 84-86, Regent Street, London, W.1.

FORMICA PLASTICS · POTTERTON BOILERS
DE LA RUE BANKNOTES · COUNTING MACHINES
STAMPS · FINANCIAL AND COMMERCIAL PRINT
TRANSPORTATION OF VALUABLES
DE LA RUE BULL DATA PROCESSING EQUIPMENT

 De La Rue

BEECHAM GROUP LIMITED

Record sales and profit

New penicillins in production

Testing a new penicillin
fermentation in sterile conditions at
Beecham Research Laboratories



Trading Results

MR. H. G. LAZELL, Chairman of Beecham Group Limited, presided over the 33rd Annual General Meeting of the Group held in London on July 26th. The following are the salient points from his statement.

Record world-wide sales of £56,344,000 were achieved by increases of 7% in the home market and 25% in markets overseas. Trading profit increased by 7% to a record total of £8,364,000. Results of the year's operations are summarised below with comparative figures for the previous year.

	1960/61 £	1959/60 £
Home sales	37,092,000	34,510,000
Overseas sales	19,252,000	15,449,000
Total sales	56,344,000	49,959,000
Trading profit	8,364,000	7,843,000
Ordinary dividends	2,014,000	1,812,000
Profit retention	2,004,000	1,868,000
Ordinary dividend rate	30%	27%

environment at home is, in many industries, a serious impediment to the expansion of overseas trade. Beechams have been fortunate in that they have had to operate in highly competitive markets in this country and consequently great pressure has been exerted on our research laboratories to produce better products, and on our marketing divisions to evolve better selling techniques. When, therefore, we venture overseas we can compete with the best that is there. In particular, the experience of television advertising gained in the home market enables us to use this medium with some degree of confidence in every overseas territory in which it becomes available.

Advertising

Serious attacks have been made recently on advertising in general and on television advertising in particular. Your company is the second largest advertiser in the country and I would like to emphasise what our experience of marketing consumer goods has taught us. It is this—that advertising alone is incapable of establishing a large and continuing sale for a product which does not possess some advantages recognizable by the public at large.

In general, heavy advertising is evidence of fierce competition and this usually arises when a few efficient companies are battling for supremacy. The result of such competition is, inevitably, that the nondescript products fall out of public favour and eventually disappear. In due course there remains a small number of heavily advertised products competing one with another, each perhaps with a marginal appeal to a particular segment of the population but none with a clear advantage. Critics contend that this exemplifies wasteful advertising. They overlook the fact that the public has been provided with products infinitely superior to those which would have been available in the absence of competition and which give better value than would otherwise have been possible. I must emphasise also that advertising is essential to a competitive economy and that unjustified interference with it in this country will certainly have a serious effect on our ability to develop competitive selling techniques and thus our ability to sell goods overseas. I can say with confidence that your company has been successful only because it has recognized certain principles:

It is unprofitable to advertise a product which does not present a distinct advantage to a substantial section of the public:

This advantage cannot always be pre-determined, however much is spent on scientific research and however carefully the evidence of consumer requirements is studied:

Much advertising is dramatised and some is exaggerated but it does not pay to exceed reasonable bounds because a product claim unfulfilled creates a reaction from the consumer who refuses to purchase a second time:

The consumer is always right: if a manufacturer indulges in the fallacy that the consumer has neither judgment nor sense—views which many critics of advertising appear to hold—he will make some very expensive mistakes:

The ultimate consumer panel is the mass of the British public, and very largely the housewife.

The final verdict on a product is passed when sales rise steadily to a figure which covers advertising costs and produces a profit.

Research and Drug Prices

The second of the new Beecham penicillins, Celbenin, was introduced to the medical profession in September 1960. Celbenin is effective in grave infections caused by virulent staphylococci which are resistant to the traditional penicillins and other antibiotics. Broxil and Celbenin will be followed shortly by several new penicillins which are at present undergoing the final stages of evaluation.

In view of these achievements it is disturbing to note the growing attacks on the whole pharmaceutical industry and particularly on that section of it which serves the National Health Service. The main accusation is that the industry is making excessive profit which materially increases the cost of the Health Service. The cost of the whole National Health Service is £740 million. Out of this total, only £55 million, or 7.4%, was paid to the pharmaceutical industry in respect of all drugs.

The primary factor governing drug pricing policy is the need to make adequate provision for research. The industry's progress depends on research which is becoming increasingly costly and increasingly speculative. For one successful product, hundreds are tested and rejected. If the industry is to have a sound financial basis, it must be allowed to recover its research expenditure from the very few marketable products which emerge.

We increased our expenditure on research last year to £750,000, of which half was devoted to basic pharmaceutical research. In addition, a sum in excess of £2½ million is being spent on our Worthing plant. These figures will, I hope, demonstrate confidence in our ability to hold our own in this highly competitive field provided the British pharmaceutical industry is not subjected to ill-informed attacks and ill-considered restrictions.

Selling Overseas

During the past ten years our overseas sales have increased from £7½ million to £19½ million and, last year, overseas profit exceeded £2 million for the first time. Our important business in the United States continues to expand. Brylcreem is increasing its lead in the hairdressing market there and Silvikrin shampoo was launched in the autumn of 1960, supported by a national television campaign.

In my view marketing techniques have to be developed in a competitive home market before they can be used overseas. There is, indeed, good reason to believe that lack of competitive

THE GENERAL ELECTRIC COMPANY LIMITED

EXTRACT FROM DIRECTORS' REPORT

The Sixty-first Annual General Meeting of The General Electric Company Limited will be held on September 7 in London.

The following is an extract from the report of the directors for the year ended March 31, 1961:—

Of the consolidated profit of the Group the following amount has been dealt with in the accounts of the Holding Company:—

Profit for the year	£950,885
Net loss relating to previous years	48,702
	902,183
to which is added the profit brought forward from the previous year	2,342,006
	£3,244,189

The directors have made the following appropriations therefrom:—

Preference dividends for the year to March 31, 1961, less income tax	206,413
First interim dividend of 3 per cent on the ordinary stock, less income tax, paid April 7, 1961 ...	330,750
Second interim dividend of 7 per cent on the ordinary stock, less income tax, paid June 1, 1961 ...	771,750
leaving balance carried forward to the next account	1,935,276
	£3,244,189

TRADING EXPERIENCE

The sales for the year amounted to £118,595,000, or an increase of 1.4 per cent over last year. The direct exports of the G.E.C. Group from the United Kingdom amounted to £18,405,000 in 1960-61 against £19,813,000 last year. An increase in sales by overseas subsidiaries to £31.5 million from £28.6 million in the preceding year was achieved from locally manufactured products rather than by exports to them from the Company's factories in the United Kingdom.

The gross trading profit, before charges listed in Note 1 to the accounts amounted to £9,519,000 as against £11,074,000 for the previous year. After higher charges for depreciation, a further substantial provision for liabilities the amounts of which are estimated, and a provision of £266,000 against trade investments, the profit before taxation was £3,259,000 reflecting a reduction of £1,554,000 by comparison with the previous year.

Two factors are mainly responsible for this reduction in profits. In the first place, margins in the heavy engineering industry are meagre and this part of the Company's activities has contributed little to the earnings for the year, and secondly, the extremely unsatisfactory state of trade during the year in the radio, television, and domestic equipment industries has resulted in substantial losses.

When the announcements of the interim dividends were made the full extent of the losses in the Radio and Television and Domestic Equipment Groups was not apparent nor was the need at that time appreciated for substantial

provisions in connection with traction activities. The unsatisfactory position which is now revealed in the accounts for the full year has confirmed your directors in the strong support which they gave to drastic decisions made by the management early in 1961. Your directors wish to say again that it will be some time before the full benefit of these decisions is felt.

The considerable increase in stocks of raw materials, work in progress, and manufactured goods which is largely associated with atomic and other heavy engineering contracts has caused the Company to draw heavily upon its overdraft facilities.

NUCLEAR POWER

A major issue still under discussion at the close of the year was the financial settlement with regard to the Hunterston atomic power contract. Your directors have the position constantly under review and believe that the provisions already made are adequate. It will be recalled that an amount of £500,000 was added to the provision against this contract in the previous year.

RADIO & ALLIED (HOLDINGS) LTD.

As part of the negotiations for the acquisition of Radio & Allied (Holdings) Ltd. which was successfully completed in April of this year, your directors declared a second interim dividend of 7 per cent on the ordinary stock of the Company in lieu of a final dividend. After taking account of the first interim dividend of 3 per cent, the total distribution for the year is 10 per cent, which is the same as last year.

CONTRACT CONTINGENCIES

The scale of the Company's contract operations generally is continuously increasing and your directors now feel it wise to nominate part of the general reserves of the Company as an insurance against contingencies which may occur in the future in any part of the contract field whether it be power, heavy mechanical equipment, traction, or communications. The amount of £3,000,000 has, therefore, been transferred from the reserve against future stock depreciation as a first step in the creation of a reserve against contract contingencies, pending a complete re-organisation of the reserves which is under consideration for adoption next year.

BOARD CHANGES

The Board extends its thanks to Sir Leslie Gamage, MC, who retired from the Chairmanship of the Company on December 31, 1960. Sir Leslie has served your Company with distinction for 42 years. He has been a Director for 36 years and Chairman for 3 years. His efforts and encouragement in stimulating exports, both within the Company and nationally as President of the Institute of Export, have contributed to the present high level of overseas trade in the electrical and allied industries.

The Board has elected Mr A. L. G. Lindley Chairman and Managing Director.

Mr Harold Hobson, a leading figure in the electricity supply industry, and a Director of your Company since 1950, has decided to retire

from the Board. As mentioned in last year's Report, Mr A. S. Black, and Mr J. J. Gracie, CBE, retired during the year. You will certainly wish to endorse the Board's expression of appreciation for their service.

Sir Toby Low, PC, KCMG, CBE, DSO, MP, has been appointed Vice-Chairman, and Mr T. B. O. Kerr has been appointed Deputy Managing Director, Lord Coleraine, PC, and Mr E. H. Davison, as Director of Finance, have joined the Board, as well as Mr M. Sobell and Mr A. Weinstock, who have joined the Board following the acquisition of Radio & Allied (Holdings).

To strengthen the Company's management, a Management Committee of executive directors has been formed; its members are Mr A. L. G. Lindley, Mr T. B. O. Kerr, Mr E. H. Davison, Mr O. W. Humphreys, Mr R. N. Millar and Mr A. Weinstock.

CORPORATE DEVELOPMENTS

During the year your Company made an offer to the stockholders of Radio & Allied (Holdings) for the acquisition of their shares in that company in exchange for shares of your Company and a cash addition. This offer was successful and your Company has consequently secured a profitable business with high earnings and first-class management.

To increase their share in home and export markets in capital equipment, the G.E.C. and Richardson, Westgarth & Co. have decided to collaborate in the design, development, manufacture and sale of heavy electrical generating and power plant.

The G.E.C. is entering the field of industrial process control computer systems in conjunction with Thompson Ramo Wooldridge Inc. of Los Angeles, California. A joint company—International Systems Control—has been formed to market this equipment in the United Kingdom, in the European Free Trade Area and in the Commonwealth.

In co-operation with Associated Electrical Industries two joint companies are being formed for the manufacture and sale of glass and metal products respectively used in the electric lamp and valve industries.

The Company's close association with International Computers and Tabulators continues. A new company has been formed, I.C.T. (Engineering) in which the G.E.C. has a minority holding, to carry out research and development previously handled separately by the two parent companies.

During the year discussions took place with the English Electric Company to explore the possibilities of a merger of the two Groups by means of a holding company; it was not possible, however, to reach agreement and the negotiations were discontinued.

The Chairman, at the forthcoming annual general meeting, will inform the stockholders regarding the progress of the Company in the current year and will also give up-to-date information regarding matters of importance. The Chairman's statement will be circulated to stockholders after the general meeting.

WOODHEADS BREWERY LIMITED

The twenty-fifth annual general meeting of Woodheads Brewery, Ltd., was held on July 20th in London, Mr Richard P. Beamish, chairman and managing director, presiding.

The following is an extract from his circulated statement for the year ended January 31, 1961:—

The trading profit of the Group amounts to £113,744, as compared with £123,894 for the previous year. The decrease of £10,150 is wholly accounted for by a drop in trade of our Mineral Waters subsidiary.

The year has been a rather difficult one in that we have had to meet an intensification of what can only be called a price war in the

brewing and its ancillary industries. This price cutting is, of course, almost entirely confined to the free trade, which constitutes a very large number of the outlets we serve.

For some time past, shrinking margins have been absorbed by the brewing industry, but at long last there is a move for increased prices which, if its effect is not neutralised by the continuance of this practice, should maintain and perhaps increase the profits of the group.

Depreciation and other charges, less credits, amount to £48,286, leaving a balance of £65,458. Taxation based on the profits of the Group absorbed £38,266, or no less than 58 per cent of the profits. There remains £22,244 available to the holding company for appropriation.

The report was adopted and the proposed dividend of 15 per cent, and bonus of 2½ per cent, on the Ordinary shares were approved.

BILLERUDS AKTIEBOLAG

(Pulp and Paper Manufacturers)

Säffle — Sweden

Founded in 1883

HIGH PRODUCTION AT RISING COSTS

Share Capital: Kr. 140,000,000

Board of Directors: Landshövding Bo Hammar skjöld (Chairman), Godsägare Gösta Liedberg, Direktör K. I. Hising, Riksdagsman Leif Cassel, Direktör L.-E. Thunholm, Direktör Anders Smith, Disponent F. Hartmann and Bruksdisponent Åke Pihlgren.

Registered Office of the Company: Säffle.

Managing Director: Åke Pihlgren.

SUMMARY OF 1960 RESULT

	Million £	
	1959	1960
Net invoiced value	19.3	20.9
Gross profit from industrial operations	3.9	4.0
Earnings from forestry	1.1	0.9
Depreciation and appropriations	3.0	3.3
Taxes	1.1	1.0
Net profit	1.0	1.0
Dividend	0.7	0.7

PROPERTY AND PERSONNEL

Land: productive woodland	706,000 acres
Buildings and Plant: insured value	£56.7 million
Employees: total	8,400

1960 IN SHORT

Sold quantities:	
Sulphite pulp	154,000 metric tons
Paper	132,000 metric tons
Timber	42,000 standards

Acquired companies:	
Ohs Bruk AB	6,000 tons of bleached sulphite pulp per annum
	12,600 acres of productive woodland
Sörstafors Pappersbruks AB	12,500 tons of unbleached sulphite pulp per annum
	3,500 tons of unbleached MG sulphite paper

Investments: A new MG paper machine started production at the Gruvön mill.

Total investments at the eight pulp and paper mills, six sawmills and about 60 water power stations belonging to the Company exceeded £2 million.

Research: The work carried out by the Company in developing pulping and paper-making processes was further accelerated by more than 120 employees at the Research Laboratory.

COX AND WYMAN LIMITED

SUBSTANTIALLY INCREASED TURNOVER

The second annual general meeting of Cox and Wyman Limited was held on July 25th in London, Sir Christopher Bullock, KCB, CBE, (the chairman), presiding.

The following is an extract from his circulated statement:—

In my Statement of last June I informed you that both our main Works had healthy Order Books which should keep them fully occupied until the autumn; and that, if this state of affairs continued, I saw no reason why we should not be able to produce satisfactory results for the year ended April 1st last. In the event we found that there was a substantial overlap into 1960-61 of the accumulation of orders which resulted from the printing stoppage of 1959; and in consequence conditions during the year were to some extent abnormal. The Company's turnover was not only maintained but substantially increased, and all three of our Works produced a larger Operating Profit. As a result, I am glad to be able to report a successful financial out-turn for 1960-61.

The Group Trading Profit for the period before Debiture Interest and Taxation is £112,084, as compared with £75,750 in 1959-60, an increase of £36,334. The Net Profit comes out at £50,525 as compared with £33,644 last year. We recommend a final dividend of 6 per cent making a total of 9 per cent for the year, as compared with the 8 per cent mentioned in the original Advertisement of December, 1959.

Competition remains very keen; and we are experiencing to the full the pressure on profit margins that seems to be almost universal, whilst the regrettable upward trend in costs under all heads continues.

We have made a good start to the current year. For the first two months our Sales were ahead of those for the corresponding period of 1960-61; and our Order Books remain in good shape and should ensure that our main Works are kept busy for some months to come. Accordingly, if only costs do not run away, and in the absence of adverse developments at home or overseas, I see no reason why we should not have another satisfactory year in 1961-62.

CAPITAL PROPOSALS

Your Directors have reached the conclusion that additional finance is desirable. A Resolution will be put before you for the increase of the Company's Authorised Capital from £280,000 to £350,000 by the creation of an additional 280,000 Ordinary Shares of 5s. each. If conditions are suitable, we intend at an early date to make a Rights issue of one share for every four shares at present held at a price still to be fixed. Whilst it is too early in the current year to make a firm forecast, provided sales are maintained we would expect to recommend for 1961-62 not less than the same rate of dividend, viz., 9 per cent, on the capital as increased by this issue. Its main purpose is to enable us to acquire new plant and machinery with a view to increasing the capacity of our Works to deal with the large volume of business at present offering and at the same time yet further improving efficiency. It will also provide some additional Working Capital, which will assist to finance our expanding Sales.

The report was adopted and the increase of capital approved.

THE ASSOCIATED PORTLAND CEMENT MANUFACTURERS LIMITED

THE PARENT COMPANY OF THE BLUE CIRCLE GROUP

CONTINUING POLICY OF EXPANSION AT HOME AND OVERSEAS

REVALUATION OF INVESTMENTS : SCRIP ISSUE PROPOSED

ISSUED EQUITY CAPITAL INCREASED TENFOLD SINCE 1952

MR J. A. E. REISS REVIEWS OPERATIONS OF THE LARGEST CEMENT ORGANISATION IN THE WORLD

The Annual General Meeting of The Associated Portland Cement Manufacturers Limited was held on 25th July in London.

The following is an extract from the statement by Mr J. A. E. Reiss, BEM (Chairman and Managing Director) which accompanied the Report and Accounts sent to Stockholders:

ACCOUNTS

The Working Capital of the Group has decreased by £4,489,503 to £20,299,996 at 31st December, 1960; the fall in the Company's Working Capital (during the year 1960) was £4,302,251. The reduction is attributable to our expansion both at home and overseas. Fixed Assets include capital expenditure by the Group during the year which amounted to £11,558,878 as compared with £5,921,857 in 1959, an increase of £5,637,021. During the fifteen years since the last year we have expended on capital account £65,828,953, an average of £4,388,597 a year; during the same fifteen years we have provided out of profits £34,995,163 for depreciation and transferred £13,213,366 to Fixed Assets Replacement Reserve, which together cover nearly three-quarters of the outlay. The whole of the expenditure on Fixed Assets and Trade Investments has been financed so far without your Company having to invite fresh capital subscription.

The Associated Portland Cement Manufacturers Limited holds 100 per cent of the equities of The British Portland Cement Manufacturers Limited and Alpha Cement Limited, so a clearer picture of our past year's working in the United Kingdom is produced by combining the results of these three companies than is shown in the Consolidated Accounts, which include our overseas interests. The figures to the nearest thousand pounds are as follows:

The Excess of Trading Income over expenditure after deducting Directors' and Trustees' Emoluments, Subvention payments to Subsidiaries, provision for amount payable to Workmen's Pension Fund (1959) and Share Issue Expenses (1959) decreased by £123,000 to £9,724,000. We set aside for depreciation £2,860,000 which was £422,000 more than a year ago and the allocation for replacement of fixed assets of £400,000 was £325,000 less; the total provision under these headings was £3,260,000. Investment Income and Interest amounting to £2,150,000 was £46,000 more than in 1959; Debenture Service at £166,000 showed a reduction of £93,000 as compared with the previous year. The net Surplus, before providing for Taxation, was £8,448,000, a decrease of £81,000. Provision for Taxation decreased by £169,000 to £4,085,000 leaving available for appropriation and payment of dividends

£4,363,000, which was £88,000 more than in 1959. The amount of £2,117,000 has been transferred to Unappropriated Profit (£153,000 less than in 1959) leaving for distribution as dividends £2,246,000 or £241,000 more than in 1959, after eliminating the special interim dividends of that year.

REVALUATION OF INVESTMENTS

The Capital Reserves in the Balance Sheets have increased very considerably as compared with a year ago and now include a new item—Investment Revaluation Reserve £24,522,924. In December 1960, in accordance with Schemes of Arrangement under Section 206 of the Companies Act, 1948, the Preference Stocks of our wholly owned subsidiaries, The British Portland Cement Manufacturers Limited and Alpha Cement Limited, were cancelled together with the outstanding Debenture Stock of Alpha Cement Limited. Following upon this we decided to revalue the equities of those Companies; the revaluation was carried out on the basis of the Balance Sheet values of the net tangible assets of the Companies as at 31st December, 1959, after adjustment to give effect to the revaluation of their fixed assets on 1st January, 1960, and the Schemes of Arrangement. The excess arising on this revaluation, which we are satisfied is conservative, was the amount of £24,522,924 transferred to Investment Revaluation Reserve.

Following upon this revaluation, it is proposed that the authorised share capital of the Company should be increased to £47,500,000 and that £13,559,900 of the amount transferred to Investment Revaluation Reserve should be capitalised and applied in payment of one new £1 share for every £2 of Ordinary Stock. It is of interest to record that in 1952 the issued equity capital of the Company was £4,000,000. After you have approved of the proposals the issued ordinary capital will amount to £40,679,701. The holder of £100 stock in 1952, when the price was much in line with recent prices, who has retained his holding, will have received additional stock as a result of capitalisations to increase his holding to £937.

PAST YEAR

Demand at home continued to increase last year and our deliveries were 5.2 per cent higher. Our programme of converting the first four of our works to oil firing was completed in the early Spring and resulted in marked fuel economies. Unfortunately, the price reduction which was made in February and the absorption of wages and coal increases later on rather more than cancelled out these savings.

Our export trade showed a further moderate reduction in tonnage but profit margins im-

proved somewhat and our sales of special cements showed a gratifying increase.

THIS YEAR

Deliveries in the early months of this year showed a heavier increase than we have ever experienced and were 9.8 per cent up for the first twenty weeks. The output of the Building Industry has shown a marked rise this year which, coupled with the increasing use of concrete building materials for all purposes, points to the need for a rather faster expansion of capacity than was expected twelve months ago. At that time I announced a three-year plan to add nearly 1,000,000 tons per annum to our production and the first fruits of this programme are already coming to hand in that the second kiln at Cauldon went into full production in January and the new kiln at Plymouth is expected to be in operation by the middle of this year. We are shortly commencing the building of a 400,000-ton works near Dunbar in Scotland and building work has already begun on our site at Westbury. Your Board has recently reached a decision in principle to increase this programme to the extent of about 500,000 tons per annum, part of which will be by increasing capacity at existing works. Expansion can be carried out more quickly in this way than by starting on a new site.

OVERSEAS WORKS

Once again the Companies in which we are interested overseas played an important part in our overall activities. Sales of 2,489,500 tons surpassed previous figures and, notwithstanding the political influences which affect trade in some areas, we look forward with confidence to continued progress.

Our Australian subsidiary, The Commonwealth Portland Cement Company Limited, made record deliveries. It has now acquired the complete ownership of Metropolitan Portland Cement Limited and the measures introduced at that Company's works have resulted in increased output. The operations of the two companies have produced results in excess of the previous record.

During the year we acquired an extensive limestone deposit in Victoria, near Geelong, and have formed a new company, The Victoria Portland Cement Company Pty. Limited, with the object of erecting a new works to produce 300,000 tons per annum. Work on site is proceeding.

Our subsidiary, Malayan Cement Limited, again achieved record results and plans for further expansion of capacity are in hand.

In Mexico the Mixcoac and Toluca Companies experienced a satisfactory year's working.

The new works at Artonilco has recently come into production and we look forward to continued satisfactory trading during the ensuing year.

The Golden Bay Cement Company Limited in New Zealand surpassed its previous record results. Since the end of the year this Company has acquired over 90 per cent of the share capital of The Waitomo Portland Cement Company Limited which operates a 60,000-ton plant at Te Kuiti in the North Island. Measures are in hand to acquire the remaining share interests and plans are being put into operation to modernise and expand production at Te Kuiti.

In South Africa the picture has been influenced by political developments. The creation of the Republic and withdrawal from the Commonwealth have affected trade generally and, while on balance the results of our subsidiary, White's South African Portland Cement Company Limited, showed little change last year, the course of trade this year must be viewed with some uncertainty.

Much the same position obtains in Southern Rhodesia. The Salisbury Portland Cement Company Limited made record deliveries and showed satisfactorily increased trading results last year but there has since been a marked reduction in construction work and, until the political situation has been clarified and confidence restored, trade will inevitably be at a lower ebb.

In Canada our interests in British Columbia have been affected by the low level of building activity. Cement production capacity is in excess of the present demand and there appears little prospect of improvement in the position this year. Steps have been taken however to increase efficiency and to reduce costs. The company in which we are interested, Ocean Cement and Supplies Limited, is well placed to take advantage of improved trading conditions when these materialise. During the year we decided to secure an interest in Eastern Canada by acquiring a minority share holding in Canada Cement Company Limited, the largest producer, which operates nine plants throughout the Dominion. We are satisfied that this will prove a profitable investment.

In Kenya the East African Portland Cement Company Limited, in which we have a substantial interest, had a very successful year's trading. Here again, however, political developments in recent months have had an adverse effect on trade and lower profits this year are inevitable.

The new works which we have constructed in Nigeria, with a capacity of 200,000 tons a year, came into production towards the end of 1960, the official opening taking place in December. The company finds a ready market for its output and prospects are regarded as good.

CONCLUSION

Our investigations as to the possibility of expansion in areas where we are already represented and elsewhere continue. The building of a modern cement works takes both time and capital and, with an expansion policy such as ours, it is inevitable that a period must elapse before part of the capital employed earns its due return. Our policy of expansion however, which has stood us in such good stead in the past and which has preserved our position as the largest cement makers in the world, will I am satisfied, continue amply to justify itself.

The report and accounts were adopted and the proposed increase of capital and scrip issue were approved.

DERBYSHIRE STONE LIMITED

25 YEARS OF ACHIEVEMENT

The Twenty-fifth Annual General Meeting of Derbyshire Stone Limited was held on July 20th in London, Mr John Hadfield, the Executive Chairman, presiding.

The following is an extract from his circulated statement for the year ended March 31, 1961:

Your Company has been in existence 25 years and from comparatively small beginnings it has become a large and progressive organisation. It is in the real sense a "growth" company and its expansion is in its early stages. Although I am proud of the Company's achievements, I am sure that its greatest days are to come and I look with confidence for a considerably accelerated rate of growth and prosperity.

The Group Accounts show a trading profit for the year of £793,018, an increase of £55,319 over the previous year. The Group net profit before taxation was £498,934 compared with £459,646 for the previous year. The Quarrying Group contributed 71.6 per cent of the net profit before taxation, 25.5 per cent was contributed by the Baird & Tatlock Group and 2.9 per cent is the net income from trade and other investments of the Holding Company. The charge for taxation of £251,106 is substantially higher than the comparable figure of £205,117 in the previous year. It is recommended that a dividend of 22½ per cent be paid on the issued Ordinary stock as against 21 per cent last year.

Last year I referred to the Directors' policy of expanding your Company's activities. In this connection I think it appropriate to say that it is not the intention to dilute the strength of the profit earning capacity of the main core of the business, that is quarrying and the production of road materials, by bringing in companies which have a doubtful expansionist potential.

The acquisition of the Baird & Tatlock Group of Companies was in line with the policy set out above. The activities of that Group, scientific instrumentation and the manufacture of highly pure and specialist chemicals, offer great opportunities of expansion.

I am confident that higher profits will be earned in the year 1961/62 by the Baird & Tatlock Group than the very useful profits which were forthcoming in 1960/61, and I anticipate that in the Quarrying Group larger profits will be forthcoming, provided that there are no untoward national developments.

At some of your larger quarries, the plants are capable of giving outputs considerably in excess of present demand and this excess capacity should be useful when the construction of new motorways is carried out in areas which we serve. In this connection it may be interesting for our shareholders to note that it is predicted that as against 8½ million vehicles on the roads of Great Britain today there will be 15 million in 1975. New roads must come and existing roads must be widened and improved if transport stragulation is to be avoided and if we are efficiently to gear our national economy with the rest of Europe's Common Market.

With your Company's interests in the blast furnace slag industry and those in natural stone, which are essentials of the roadmaking industry, one can look forward, I believe, to a satisfactory and busy future.

The report was adopted.

ÖSTERREICHISCHE LÄNDERBANK

VIENNA, AUSTRIA

The Annual General Meeting of ÖSTERREICHISCHE LÄNDERBANK was held in Vienna recently, and the following are details of the report presented by the Board of Directors:

REVIEW

The year under review was marked by the continued economic upturn which is also clearly reflected in the Bank's annual report for 1960.

The Bank's earning power is clearly shown by the size of the interest and commission surplus earned, which exceeded the comparable 1959 figure by S 20m. This surplus income contrasts, however, with a rise of S 8m. in personnel and social security costs, and with an increase of S 4.7m. in depreciation as a result of intensified building activities on the part of the Bank.

For the business year 1960 ÖSTERREICHISCHE LÄNDERBANK showed a net profit after tax of some S 91m. This result can be considered very satisfactory even though it does not equal the figure achieved in the previous year, since the Bank felt a conservative valuation was more important than increased appropriations to reserves.

The balance sheet total rose by S 440m. to S 7,588m. Credit balances, which advanced by altogether S 349m. to S 6,551m., showed the following development: whilst savings deposits rose by S 240m. to S 1,778m. and sundry creditors increased by S 596m. to S 4,020m., the remaining liabilities showed a drop of S 487m. The rate of increase of savings deposits amounted to 15.4 per cent and was thus again 1½ per cent above the average realised by Austrian joint stock banks.

Cash reserves on December 31, 1960, amounted to app. S 776m. and thus maintained the level reached in the previous year. The sound growth of business on the assets side led to a rise of S 121m. to S 1,663m. in the total of bills of exchange held, and to an expansion of S 238m. to S 3,204m. in cash credits supplied to industry and trade. Security holdings rose by S 51m. to S 529.8m.

The number of clients served by ÖSTERREICHISCHE LÄNDERBANK passed the 200,000 mark during the year under review. The number of cheques handled rose appreciably by 19.1 per cent, and the number of cash transactions increased by 4.8 per cent.

The share capital (S 250m.) and the reserves of altogether S 582m. produced a total of S 832m. The total of the Bank's capital resources bearing full liability in accordance with the law on credit institutions—excluding special reserves—amounted to S 600m. on December 31, 1960.

The net profit of S 91m. shown above was used for appropriations to reserves totalling S 69m. as follows: to the reconstruction reserve S 25m.; to the free reserve S 30m.; to the super-annuation reserve S 9m.; and to the pension reserve S 5m. As a result the Bank's capital resources of S 832m. reached 12.7 per cent of liabilities (compared with 12.3 per cent in 1959). The balance of the net profit of S 23.6m. (1959: 21.5m.), which remained after the appropriations to reserves, will be used for the distribution of an increased dividend of 9 per cent (1959: 8 per cent).

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

THE BRITISH & COMMONWEALTH SHIPPING COMPANY

SIR W. NICHOLAS CAYZER'S REVIEW OF GROUP'S PROGRESS AND DEVELOPMENTS

The sixth annual general meeting of The British & Commonwealth Shipping Company Limited was held on July 19th in London.

Sir W. Nicholas Cayzer, Bt. (the chairman) presided and, in the course of his speech, said:

1960 was the fifth full year of the operation of this Group and I think there is no doubt that time is proving that the concept of a merger between Union-Castle and Clan Line was fundamentally sound. Of course, there are many difficulties to face, for we are living in a period of great change and wherever there is change there is often a degree of uncertainty, and uncertainty is bad for trade.

We have been helped by some events and hindered by others. For instance, we carried a record quantity of fruit from South Africa. On the other hand, a strike at the London Docks paralysed shipping in the Port, and what did it achieve? So far as I can see nothing other than to endanger the economy of the country at a time when we can least afford it. And all the time costs continue to rise.

By greater efficiency we can limit to some extent the burden of these costs, but there comes a time when only increased rates of freight and passage money will serve to redress the balance, and even these measures are only effective when the cargo is there to be carried or the passengers travel.

SENSELESS COMPETITION

I have talked before of the emergence of new or enlarged merchant fleets, flying the flags of countries who previously took little or no interest in such activities. I have suggested that not always will money invested in such enterprises prove as profitable nationally as it would if applied in other directions. At the same time I have tried to understand the situation and there is one thing which is abundantly clear to me. Neither this country nor any other country will profit by senseless competition which only ensures that no ships sail full. Today, as never before, we must make the best possible use of every available asset, for in a world short of capital for essential development every penny wasted is retarding progress in some other direction.

We are progressively securing a more modern fleet. During the year WINDSOR CASTLE came into service and good progress has been made with TRANSVAAL CASTLE. This latter ship is particularly interesting as it represents a departure from the traditional Mail Ship in that we are attempting to create the impression of a floating hotel.

It may be that the Mail Ships steal the lime-light, but it will not have escaped your notice that we have been and are proceeding energetically with a policy of scrapping our older cargo ships and replacing them with new and more economic units.

Naturally, expenditure of the magnitude which we have undertaken in recent years has tended to run down our cash resources, but expenditure at such a level is largely cyclical and, happily, as a result of the taxation allowances granted to the industry our cash flow has been well maintained.

Fortunately or unfortunately, a business can never stand still. It must go forward or go back, and it will go forward only if, while dealing in detail with the affairs of today, much thought is given to the future.

RESEARCH

Research in the minds of some means the development of a new product or machine and, obviously, this is a very important aspect of the subject. It is that saving of an additional ton or two of oil per ship per day or an alteration in design which facilitates and thereby cheapens the loading and discharging of cargo, which can make a reasonable result good or a poor one passable. This, however, is only one aspect of research. The future pattern of trade is fundamental when considering any building programme. The likely consequences of the introduction of supersonic aircraft or the comparable economics of the large transport plane pose other questions. Again, there is the day to day research into the most economic means of propelling the ship or evolving a method of steering a course which eliminates those fractional deviations which over a long journey can lengthen the voyage by many miles and increase the fuel consumption. We in the Group undertake a very considerable amount of this fundamental and detailed research, but I believe that there is still more that could be done by the industry as a whole, and I am pleased to say that Her Majesty's Government is very alive to this problem and, in conjunction with the industry, will be examining it.

AIR INTERESTS

I suppose that in recent years more research has been concentrated in the development of the aircraft than in any other transport vehicle. There is no doubt in my mind that there is room for the two means of transportation, sea and air, for the sea offers quite different facilities both to the passenger and to the shipper of cargo. Nevertheless, I think it right that we should have air interests, and I am satisfied that the merging of Hunting-Clan with Airwork to create BUA has given us a share in a live, versatile and enthusiastic organisation where there is a determination to succeed and where service to the customer and the profit element are more important than the hours flown.

Another matter of importance which is somewhat outside the range of our general shipping activities and to which I should refer is the acquisition of control of Hector Whaling Limited. The main business of this Company is that of shipowning, and I am satisfied that the translation of the price paid for the shares into the cost of the underlying assets represents the acquisition of control of these assets at a reasonable price.

As I survey the world scene, and in particular those continents and countries with which we trade, I realise the challenge which confronts all responsible people, and I am troubled when I see scare-mongering headlines or hear misleading statements made by people, sometimes unfortunately by those who should know better. No great country was built in a day, and man's

greatest achievements, whatever they may be, were only evolved by long and patient effort.

SOUTH AFRICA

We cannot but feel sad that since last we met South Africa has left the Commonwealth. What has happened has happened and whatever our views regarding any particular aspect of policy we must never forget that those who live 6,000 miles away are likely to think very differently from those who are living with a problem in their midst.

We are living in a period of constant change, and at the moment the South African Authorities have found it necessary to impose import restrictions and other safeguards to protect their foreign exchange position. In the short run, all measures such as these are bound to reduce the movement of goods and passengers between our countries.

As South Africa plays a considerable part in our fortunes it follows that it will be a hard struggle to match the 1960 results in 1961. It is too early to be dogmatic, but present indications are that profits will be lower than 1960 and will lie somewhere between the results achieved for that year and 1959.

The main thought which I should like to leave with you today is my confidence that with our modern fleet we are in a position to take advantage of any upturn in trade and that we can hold our own even when trading conditions are not altogether satisfactory.

We are in good heart. We will spare no effort to shape the future to our benefit.

The report and accounts were adopted.

MACOWARDS LIMITED

The twenty-third annual general meeting of Macowards Limited was held on July 19th in Cardiff, Mr Arran Leron (chairman and joint managing director) presiding.

The following is an extract from his circulated statement:

The Group profit before taxation for the year ended January 31, 1961, of £276,409 compares with £196,512 earned in the previous year.

The effective total dividend rate for the year on the increased capital is 16½ pds compared with an equivalent rate of 12½ pds.

In reviewing the Board's policy of expansion, the chairman referred to the acquisition of properties at Derby, Brighton and Wilmslow and also the extension of the company's store at Sidcup, and continued:

In view of the Company's expanding interests and activity in the development of its store properties, I am pleased to announce that negotiations have been successfully completed for the formation of a company, in which The Murrayfield Real Estate Company Limited and Macowards Limited will participate jointly for promoting the development of properties of mutual interest.

Our policy of expansion and development continues and subject to unforeseen circumstances, we are again looking forward to a busy and profitable year.

The report was adopted.

Copies of the Report and Accounts can be obtained from the Secretary, 6-9 Hayes Bridge Road, Cardiff.

HUMPHREYS LIMITED

(Building and Civil Engineering Contractors)

SUBSTANTIALLY INCREASED VOLUME OF BUSINESS

SIR AYNLEY BRIDGLAND ON THE ENCOURAGING OUTLOOK

out the position, bearing in mind the provision to which reference has already been made.

The affairs of our subsidiary companies in South Africa were dealt with by local Boards under a full-time Chairman.

Some weeks after the year ended November 30, 1959, reports coming from South Africa indicated that serious losses were being made by the contracting subsidiary, R. H. Morris (Pty.) Limited, which was quite contrary to the information we had received up to that date. These had to be investigated and it was clear to our officials who were sent out early in 1960 that it would take at least 18 months to clarify the position. In August, 1960, the Chairman and General Manager of R. H. Morris (Pty.) Limited resigned.

The Chairman was replaced by Mr C. M. Goldsbury, who was already a Director of the company, and Mr B. A. Lansdown was seconded from our Head Office to act as Managing Director. In order to strengthen further the managerial direction of the company Mr E. W. Gibson was seconded also from Head Office to act as Assistant General Manager.

In the meantime R. H. Morris (Pty.) Limited have sold the manufacturing side of their business to R. H. Morris Industries (Pty.) Limited, who are concerned with making school furniture, motor car seats and similar products, and we have retained a half interest in this business. Large orders for their goods are in hand and, whilst the anticipated profit on the first year which ended on May 31, 1961 is likely to be modest, the prospects for the succeeding year are good.

National Quarries (Pty.) Limited have had a good year despite profits being affected by a fair amount of development costs. It is evident that this business with its competitors will be very hard put to meet the present and future demand for stone and steps are being taken to open another favourable site to cope with the increased needs of Cape Town and its vicinity.

Overhanging the whole of South Africa, as you know, is the vexed question of apartheid but, nevertheless, there is no denying that this wealthy part of Africa has a great future. We hope by the time we present our accounts next year to have a much clearer picture to put before you, and as I said in my supplementary statement sent to you in October last year, we see no reason to be pessimistic about the long-term prospects in South Africa.

BURDEN OF CLAIMS

Shareholders will, no doubt, have read in the newspapers that during the past year other contracting firms have experienced sharp losses which have been ascribed generally to the evil of price cutting and also to the atrocious weather conditions which maintained throughout the year. In these conditions it is more than ever essential that the work is preplanned to the last detail by the client and the architect. If this is not done, and it rarely is, an abundance of variations occur.

These variations give rise to claims to recover the extra costs incurred in carrying out the work involved. Such claims result in long and protracted negotiations between architect, quantity surveyors and contractors, sometimes taking up to two years or even longer before they are settled.

It has always appeared to us that the cost in loss of interest on the money in dispute and the work of the staff in preparing the claims reaches a very high figure and unless the methods of reaching a mutually agreeable solution are speeded up, this burden will continue to arise out of this present system of tendering. There is no doubt that the question of claims and the method of their settlement are matters for which contractors as a body will, in the near future, have to enforce some kind of protection in their tenders.

On large contracts it is becoming increasingly evident that with the growth of technical services incorporated in buildings it is of prime importance to building owners to know that their contractors have at their disposal the means to deal with all the aspects of the proposed building and the technical skill to overcome the problems. Time in building is saved through these arrangements and this is a very important factor, for not only do undue delays cost interest on the money invested, but they also result in additional loss of revenue from rents and services. In large contracts these delays can run into many thousands of pounds.

SHORTAGE OF LABOUR

Another matter that causes concern to contractors is the shortage of labour and skilled operatives. The large amount of work offering causes each contractor to endeavour to outbid his rival for such men.

Coupled with this is a steady fall in output per man as against pre-war days. It is a tragedy that the men cannot see that with these conditions the cost of building must rise and with it rents and services. The inevitable result of all this will be eventually a curb on new business because of these and other costs.

Whether in building or other spheres these conditions arise. Every day one sees the call to cut costs to meet overseas competition and it is idle for each and everyone of us to deny that the very life of this country and its standard of living depends on all of us to see that output per man is increased. Increases of salaries and wages without increase of output is the main cause of our country's financial difficulties with which we are being faced from time to time.

THE CURRENT YEAR

We have received large contracts in recent months, as already mentioned, and other substantial contracts are in view. So far, then, as this country is concerned, more profitable work is in sight and we are getting our share of building and civil engineering contracts on a profitable basis. Overseas we have contracts in Gibraltar,

OVERSEAS

Speaking more explicitly of our South African interests than we could last year, we can now set

Cyprus and Jordan, with prospects of further work to come.

We are, of course, very dependent on the weather and other unforeseen contingencies which can unfortunately upset our plans, but all precautions are taken to minimise the effect of these and to ensure that each contract produces its proper profit. Our future, therefore, is encouraging.

Once again I take this opportunity of expressing the Board's appreciation of the work of all our staff and employees both at home and overseas during the past year.

CHARRINGTON, GARDNER, LOCKET & CO. RECORD TRADING RESULTS

The fifty-eighth annual general meeting of Charrington, Gardner, Locket & Co. Limited was held on July 21st in London, Sir John Charrington, the chairman, presiding.

The following is an extract from his circulated statement:

What could have been a remarkable year for your Company was adversely affected by the mild weather in February and almost summer temperatures in March. The winter was never severe, but the weather was sufficiently unpleasant to maintain a good demand for domestic coal and coke until the end of January. Sales of oil for heating were not as large as they might have been, though they were in total at an appreciably higher level than during the previous year.

I am, however, pleased to be able to report a trading profit for the year which reached a record level at £695,177. The profit after taxation is £363,323, which compares with £216,841 a year ago. Your Directors recommend a Final Dividend of 8 per cent on the Ordinary Stock as increased by the rights issue made a year ago. With the Interim Dividend of 4 per cent, the total Ordinary Dividend is 12 per cent, which compares with a total distribution of 11 per cent on the Ordinary Capital before the rights issue.

Oil sales have continued to expand satisfactorily, and this applies to the Eastern Counties and the areas covered by the Birmingham and Manchester offices as well as to London.

The Lighterage Department has been kept well employed during the year. Imports of timber to the Port of London have been at a high level and, with the expansion in sales of fuel oils, greater tonnages have had to be moved by river from Mobil Oil Company's Coryton Refinery to our Poplar and Isleworth terminals.

Our subsidiary, Charrold Limited, has had a successful year, and an increasing number of orders is being placed for the vehicles in which they specialise.

Another of our subsidiaries, Groves and Company, of Braintree, Builders' Merchants operating in Essex and its surrounding counties, is becoming increasingly involved in the supply of equipment to heating engineers in the domestic market.

Since the end of the financial year we have, in agreement with Mobil Oil Company, concluded negotiations with our old friends, Hargreaves (Leeds) Ltd., for the formation of a jointly-owned Company to market Mobil fuel oils in the North of England.

The report was adopted.

COMPANY MEETING REPORTS

FRANCIS SHAW & COMPANY LIMITED

The fifty-second Annual General Meeting of Francis Shaw & Co. Ltd. was held in Manchester on July 20th, the Chairman, Dr J. G. Mackay, C.B.E., presiding. The following are extracts from his statement as circulated with the report and accounts for the year ended December 31, 1960:

The final balance of group trading of £217,757 is considerably less than the Directors' forecast of £374,160 which was given to the shareholders in May, 1960. The anticipated increase in production to meet the heavy volume of orders on hand was not achieved and is a major reason for the fall in profit.

During 1958 and 1959 a substantial part of production of Shaw-McNeil Bag-o-Matic presses was supported by one major sub-contractor whose factory closed down during the first quarter of 1960. New sub-contracting arrangements did not operate smoothly until the last quarter of the year and output from our increased production facilities was restricted by delays in delivery of components, which also resulted in a very considerable increase in the stock in hand and work in progress. A further reason for lower profits is that certain export contracts taken at keen prices in face of severe competition from abroad proved unremunerative, partly on account of unforeseen difficulties in design and manufacture.

The introduction of the shorter working week in March 1960 caused an immediate increase in our wage bill and in prices for most materials, supplies and services. Certain contracts then in hand were at fixed prices.

PROGRESS BY SUBSIDIARIES

Our new subsidiary—Joseph Robinson & Co. (Holdings) Ltd., made a useful contribution to the profits of the group and has a good order book.

During 1960 our Canadian subsidiary increased its profit. The additional manufacturing facilities mentioned in last year's report are now in operation and permit us to offer a wider range of machinery.

During 1960 we exported 73 per cent of our output to 31 countries and last year I reported that we were establishing subsidiary selling companies in Australia, in the Netherlands and in Italy, each having a manufacturing association with a local engineering company.

In Italy in association with Maina S.p.A. of Asti, a well-established general engineering company and our former agent Mr V. A. Leone we have formed Francis Shaw-Maina S.p.A. Turin to sell Shaw and McNeil machines.

In partnership with our Dutch agents, Messrs Vaillant and Sluyterman, we have set up Francis Shaw & Co. (Nederland) N.V. The Hague, to promote the sale in Benelux and Western Germany of Shaw-McNeil and other Shaw products, manufactured by N.V. Machinefabriek A. Fontijne of Schiedam.

To promote sales in Australia and New Zealand a company is being set up in Melbourne, under the title of Francis Shaw Pty. Ltd. Our partners in this venture will be our agents Harrisons Ramsay Pty. Ltd. Melbourne and the old-established engineering firm of John Welsh Pty. Ltd. of Melbourne.

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DEVELOPMENT PLANS

During 1960 progress was made in developing additions to the company's range of machines and it is our policy to apply still more effort in this field.

The introduction of the shorter working week and the national engineering wage award during 1960 resulted in further increases in our costs for wages, salaries, materials and supplies in face of the keen competition both at home and overseas, it is not always possible fully to recover these costs by increases in selling price. Nevertheless it is the view of the Directors that good level of profits can be achieved.

Steps to increase productivity and to reduce expenses have already been taken during the current year. We have a good order book, our works are modern and well equipped and our international standing in the rubber and plastic industries produces a constant flow of enquiry from all parts of the world. We are expanding our programme of research and development.

The report and accounts were adopted.

UGINE

(Manufacturers of Electro-chemical,
Electro-metallurgical and Electric
Steel Products)

PARIS

The Annual General Meeting of UGINE was held in Paris on June 27th with Monsieur Rene Perrin in the Chair. The following are details of the report presented by the Board of Directors:—

As a result of increased output and extended production facilities, turnover rose to NF. 943m., and net sales of NF. 831.7m. showed an increase of 31.5 per cent over the 1959 figure.

Sales of special steel by UGINE and its subsidiaries rose to 154,000 tons as against some 128,000 tons in 1959, largely as a result of increased deliveries of stainless steel and special steels for roller bearings.

Following the entry into production of the Lannemezan plant, aluminium output rose from 33,500 tons in 1959 to 49,600 tons in 1960, and UGINE output now accounts for 20 per cent of French production as a whole.

Output of chloride, sodium, and sodium cyanide as well as most other chemicals also increased satisfactorily.

In the field of ferro-alloys, too, the commissioning of new plants helped to increase output of refined and over-refined ferro-chrome and ferro-manganese alloys.

UGINE subsidiaries and affiliated companies active in many sectors of the chemical and metallurgical industries also continued to make satisfactory progress.

New investments made during 1960 amounted to NF. 90m.

Net profit for the year amounted to NF. 28,093,673.27, and it is accordingly proposed to distribute NF. 25,682,914.00 in the form of a net dividend of NF. 5 in respect of each of the 4,060,000 shares, as against NF. 4.25 in respect of 2,920,320 shares last year.

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

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COMPANY MEETING REPORTS

The Thomson Organisation in Great Britain

A year of Progress

NEWSPAPERS · TELEVISION · GENERAL PRINTING · PUBLISHING



Extracts from the Statement of the Chairman, Mr Roy Thomson, circulated with the Report and Accounts for the year ended December 31, 1960, to be submitted to the Annual General Meeting of Thomson Newspapers Limited on July 28, 1961.

This is the first Annual Report which I have had the honour to place before you incorporating a full year's operation of this Company under my Chairmanship. I am pleased to be able to tell you that the result of the Company's operations for 1960 was eminently satisfactory. In my last review I advised you that 1960 would be largely a year of consolidation and reorganisation. That has certainly been the case but, nevertheless, it has also resulted in a substantially improved profit position.

During the year, much reorganisation and planning took place and is still going on. The horizon of business for the Company has materially widened. We envisage that our expansion will take place not only in our present operations in newspapers and printing but also in trade and technical papers, educational books, and, indeed, other fields as well. We are investigating other prospects which could be allied with our present operations on an efficient and profitable basis.

The Group profit for the year, after providing for depreciation and debenture and loan interest was £4,107,834—an increase of 32 per cent over 1959. Income Tax and Profits Tax charges absorbed £1,979,811 and, after deducting £5,041 for minority interests, the balance of the year's profit available for reserves and dividends was £2,122,982.

Dealing first of all with reserves, it is proposed to augment the Capital Reserve by the surplus of £64,060 arising from the sale of properties and to make a further appropriation to General Reserve of £790,000. As regards dividends, the servicing of the two Preference Stocks takes £312,375, whilst on the Preferred Ordinary Stock an interim of 17 per cent has already been paid and a final of 18 per cent is proposed requiring a further £535,938. The proposed dividend on the Deferred Ordinary Stock amounts to £413,438.

After these appropriations there remains £7,171 of the year's profit which, added to the balance of £683,424 from last year, makes £690,595 of unappropriated profit to be carried forward to next year. In all, the Group's capital and revenue reserves have now reached the impressive figure of £6,953,908.

At the Extraordinary General Meeting, which will immediately follow the Annual General Meeting, proposals will be placed before you to alter materially the capital structure of the

Company as well as to change the name of the Company to The Thomson Organisation Limited. My remarks to the Extraordinary General Meeting will completely cover those important developments in the company's affairs and I will only say here that in my opinion they will open the way for further great advancement of the Company.

Expenditure on modernising and enlarging the plant and buildings throughout the Group during 1960 was £2,446,250 whilst the outstanding commitments at the end of the year were £3,215,000.

THE SUNDAY TIMES

Printing of a portion of *The Sunday Times* productions started at Thomson House, 200 Gray's Inn Road, London, in December and by the end of January of this year we were handling the entire Southern print. We had only a year in which to transfer the entire production from the *Daily Telegraph* office in Fleet Street to Thomson House and by impressive organisation we achieved what many people said could not be done in under two years.

Apart from the installation of several new presses an entirely new composing room was created while the full output of the publishing department was mechanised for the first time by any newspaper group.

The future of *The Sunday Times* holds exciting possibilities. We have reached the million figure, symbolic of remarkable achievement in the field of quality newspapers. We have introduced 48-page issues, indicative of the natural growth of a newspaper which strives to meet the needs of the ever widening intelligent public.

The demand by advertisers for space in *The Sunday Times* is now greater than ever. In particular there has been a considerable increase in consumer product advertising during the year and it is quite clear that this advertising has achieved most effective results. There is no more powerful selling medium than *The Sunday Times* for advertisers who wish to reach the quality market.

As our new plant at Gray's Inn Road has abundant production capacity we are making arrangements to print the London and southern editions of *The Guardian* from this autumn. We have facilities for further developments which we are exploring.

ALL ROUND EXPANSION

Our regional newspapers show increasing strength in the great industrial areas and cities of England, Scotland and Wales where they reflect the infinite variety, character and vitality of the British people. These newspapers are members of a family, not identical links in a chain.

New targets for sales and advertisement revenues have been set. There is confidence that growth is possible everywhere. As is the case with business anywhere in the world, expansion is largely a question of executive talent.

The advertisement and circulation revenues of our papers for the year 1960 were substantially higher than those for 1959 and the advertising revenue was the largest in our history. You will be pleased to know that these revenues have continued to increase during the present year and I am able to tell you that results to date are substantially improved over the corresponding period of last year.

The range and output of our general printing business continues to expand. Our broad strategy is to build up at each centre where we operate, a unit which, while carrying out the all round services of the general printer, has a particular speciality in which it excels.

SCOTTISH TELEVISION

You will be anxious to know about the progress being made by Scottish Television. In round figures, we are approaching a three million audience able to view STV programmes in the Central Scotland area, which has a population of four million and eighty thousand. The most recent survey by T.A.M. Ltd. for the week ended February 19, 1961, indicates that 71 per cent of the population in private houses receive STV programmes.

The figure of 2,895,000 viewers at the week ended February 19th represents a total of 823,000 homes, an increase of 636,000 homes over the opening night audience—August 31, 1957. For every STV home, there is an average of 3.52 people, a larger number than that for any other independent television area except Ulster.

THE FUTURE

Looking to the future for the company as a whole, I see not only challenge but opportunity in abundance. Newspaper publication and television appeal to me as the most fascinating forms of business enterprise. I do not regard them as instruments for securing or wielding personal power. They are designed to serve the people and it is only by winning the appropriate measure of public approval that they are and will continue to be successful.

I know I am speaking for all, the Board and Shareholders alike, when I express our gratitude to all staffs for their loyal services, and for the team spirit throughout the Thomson Group, which not only have earned success in the past year but will ensure further expansion and new triumphs in the years ahead.

THE MOUNTAIN COPPER COMPANY

MR R. ELLERTON BINNS ON CHEMICAL COMPANY'S GRATIFYING RESULTS

The Fifty-ninth annual general meeting of The Mountain Copper Company Limited was held on July 26th in London.

In his statement circulated with the Report and Accounts, Mr R. Ellerton Binns, BSc, MIMM, the Chairman, reviewed the financial results for the year and said that the Profit and Loss Account showed a Group Profit on sales of £167,044. The net profit for the Parent Company amounted to £14,750 and there was an available total of £103,064. The Board recommended a total dividend of 1s. per share, less income tax.

Mr Binns then commented on the operations at Shasta, where the year had proved to be a difficult one. Referring to the current year he said that results to May 31st were not up to those for the same period last year. In the early months, January and February, pyrites sales were disappointingly low. Since then they had recovered fairly well, although still fluctuating and running rather below normal for the time of year. However, there were, he thought, definite signs of continued improvement and it need not be such a very marked or strong one to enable them to catch up in the end with the 1960 results.

The year 1960 was a disappointing one for Martinez, but for the current year Mr Binns said he was able to report improved prospects. To date, orders in hand and sales of Copper Sulphate were practically up to those for the corresponding period of last year, while sales of

COMPANY MEETING REPORTS

copper chemicals were higher than last year's. In short, the current year should be a better one than was 1960.

SAN FRANCISCO CHEMICAL COMPANY

Reviewing the Company's operations, Mr Binns said: The year 1960 has been a very satisfactory one for San Francisco Chemical Company from practically every point of view. Not only have production and sales of Phosphate rock advanced sharply during the year, but the important expansion scheme at Vernal proceeded even more rapidly than anticipated, so that the plant was actually in operation by December last. Since then operations have continued without interruption with most gratifying results. In fact results from the new plant have exceeded expectations, with capacity, recovery ratios and grade of concentrates better than estimated. In short, the results supply the most practical possible proof of the tremendous possibilities and value of the huge Vernal deposit.

The Company on May 1st last exercised its option on the remainder of the Vernal property and accordingly now holds, under a deferred payment agreement, the freehold totalling 14,800 acres which embrace the entire deposit. Besides this it maintains its valuable leaseholds in Utah, Wyoming and Idaho with its major production still coming from the Cherokee Mine in the Crawford Mountains, and from Leefe in Wyoming. In the light of all these facts it may be well to point out that valuable as are the assets and business of the Parent Company and its Subsidiary in California together with the prospects thereof, they are hardly to be compared with the 50 per cent holding in the San Francisco Chemical Company.

The report and accounts were adopted.

THE ECONOMIST JULY 29, 1961

SMITH'S POTATO CRISPS

The Thirty-second Ordinary General Meeting of Smith's Potato Crisps Limited was held on July 25th in London.

Mr F. Le Neve-Foster, chairman, in the course of his speech, said:

The Net Profit after taxation is £876,158 compared with £1,010,831. The results achieved for the year are the second best, by a large margin, in the history of the company.

The Board recommends a final dividend of 30 per cent, plus a cash bonus of 10 per cent, which makes a total distribution for the year of 55 per cent on the one class of issued share capital as enlarged by the one for five free scrip issue made last year. The distribution for the year, therefore, represents an effective increase of 9.94 per cent.

The last eight months of the year were an exceptionally difficult period for Production owing to the very poor quality of potatoes which were available from the 1960 crop. From July onwards for the rest of 1960 continual wet weather was experienced, which seriously affected what originally looked to be a promising crop and the conditions under which it was lifted. As a result although prices per ton looked cheap, the potatoes came to us full of excessive water and in bad condition, which not only led to high processing costs but gave a low yield per ton of the quality of crisps we look to produce.

We believe that with the increased productive capacity now available from the extensions made during the year we are now in a position to supply all requirements of the trade.

Up to the end of June last year the Parent Company's sales showed a nice increase on the figures for the similar period of the previous year. The prolonged spell of bad weather which followed and continued through most of the holiday period, however, seriously affected demand in our peak period of sales. Nevertheless, over the whole year and exclusive of sales of Tudor Crisps we exceeded the sales for the previous year by a small margin.

QUALITY THE KEYNOTE

Looking into the future, we are sure that the demand for our product will continue to grow. Quality is the keynote of our policy and we pay the greatest attention to all matters which are necessary to maintain it, using the finest ingredients available and methods of processing to impart just that difference in flavour and keeping qualities for which Smith's are famous. I make no apologies for repeating our slogan, "There are no Crisps to equal Smith's." To the Public, Crisps still mean Smith's Crisps.

For the first three months of the current year, sales of the Parent Company show an appreciable improvement. On the other hand, our profit margins have continued to be seriously affected by the poor quality of potatoes from the last part of the 1960 crop and high prices for suitable new potatoes. On a longer view, we have good reason for confidence that, with the dominating position we have established in the Crisp trade and our experience and widespread interests in it, your Company will continue to give a good account of itself and add to the fame of our product, Smith's Potato Crisps, with satisfaction to our customers and shareholders alike.

The report was adopted.

THE ECONOMIST JULY 29, 1961

CSF-COMPAGNIE GÉNÉRALE DE TÉLÉGRAPHIE SANS FIL PARIS

The Annual General Meeting of CSF-Compagnie générale de télégraphie Sans Fil was held in Paris on June 16 with Monsieur Maurice Ponte in the Chair, and the following are details of the Chairman's statement and of the report presented by the Board of Directors:

In his statement, Monsieur Ponte mentioned that the policy of diversification maintained during the past ten years had borne fruit, and had played a major part in the progress of the Company during that period.

The Chairman went on to underline the value of the work carried out by the laboratories and research centres, which also made an important contribution to the expansion of CSF. In view of the new possibilities now facing the Company as regards the numerous industrial appli-

W.G.I. LTD. (West's Group of Industries)

comprising
West's Gas Improvement Co. Ltd.
West's (Manchester) Ltd.
West's Piling and Construction Co. Ltd.
West's Works Ltd.
Tully Engineering Co. Ltd.

The eighty-eighth annual general meeting of W.G.I. Limited was held in Manchester on July 25th. The chairman, Mr Ernest West, M.I.Mech.E., M.Inst.Gas.E., presided. The following is an extract from his circulated statement for the year ended March 31, 1961:

This has been an outstanding year for the Group in that it has achieved an increase in the profit available for distribution on last year's figure of £128,680, which was itself a record. A considerable contribution to this total has been achieved by West's Piling & Construction Co. Ltd., who have had a year of remarkable activity. Their work during the year included a large contract at Newport for the new Steelworks of Richard Thomas & Baldwins, where some 49,000 piles were driven, but in addition to this order the company had a very busy year on many other contracts.

We do not anticipate that they will repeat this remarkable turnover during the current year as large contracts like Newport only occur occasionally, but they have quite good prospects and I am confident that they will continue to do well.

As I indicated last year, the Gas Industry has required little new conventional carbonising plant.

Following the policy of looking to other fields of activity which I indicated last year, we have been successful in finding work in the Atomic Energy and Chemical worlds in addition to the Gas Industry, and we have just completed our first Lime Kiln which has now gone to work, using the Catagas oil-burning process.

STABLE TURNOVER

These projects have allowed a stable turnover for West's Gas Improvement Co. Ltd. and also for West's Works Limited, who have had in addition a considerable amount of work from West's (Manchester) Limited in the coal and

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cations of electronic equipment, and in spite of certain factors giving some cause for concern, such as the difficulties encountered in the engagement of qualified technicians and the unplanned setting-up of electronic companies of foreign origin in the Common Market, the Chairman concluded his statement by expressing his confidence in the Company's future.

Replying to a shareholder's question, Monsieur Ponte mentioned that a bonus share issue was under consideration and that, whilst the principle had been accepted, the details were still to be announced.

The following are details of the report:

Turnover rose again to reach NF. 394,721,000 as against NF. 331,206,000 for 1959, although the 1960 figure does not include the results of the semi-conductors division which had been operated by a subsidiary—Compagnie Générale des Semi-Conducteurs (COSEM)—as from January 1, 1960.

Exports rose once again and the value reached NF. 105,816,000 representing some 27 per cent. of total sales. CSF subsidiaries also expanded

mineral fields, and from West's Piling & Construction Co. Ltd.

I am glad to be able to report that West's (Manchester) Limited has now achieved considerable status in the Coal Preparation field and the Sand and Gravel Industry and their future order book is more encouraging.

Tully Engineering Co. Ltd. has been successful in reorientating its activities and has maintained its turnover by obtaining orders in different spheres, notably the automation of valve operation in various industries and also in agricultural buildings.

West's-Loyne Limited, the newly formed Associate Company, to whose formation I referred last year, has commenced trading and has had a very satisfactory beginning; we are confident that this promise will be fulfilled during the current year.

DIVIDEND POLICY

You may perhaps feel that in recommending a dividend of no more than 22½ per cent out of the total available for distribution, the Directors are not being sufficiently generous to the Shareholders but there are two reasons—in our opinion good ones—for this restraint. First, we feel that the profit for this year is an exceptional one in that a fair part of it is due to the very large turnover of West's Piling & Construction Co. Ltd. and although we are confident that the current year's results will be good, we cannot rely on maintaining this year's peak. We prefer to maintain a steady dividend rather than a fluctuating one and we feel that you will agree with us on this point.

Secondly, we are anxious at the moment to conserve our available cash to the greatest possible extent; I have referred to the urgent necessity of spending a large sum in plant re-equipment for West's Piling & Construction Co. Ltd., and in addition there is an urgent need for further office accommodation here in Manchester which cannot be ignored. Further, if we are to provide adequate pensions for our staff on retirement, we have to supplement our existing Pension Scheme to meet the problem of inflation. All these things have to be paid for in cash and we are of the opinion therefore that our recommendations are sound on a longer term basis.

The Report and Accounts were adopted.

their operations, particularly in the field of consumer goods. The consolidated turnover of the Group's French companies totalled NF. 608,249,000 as against NF. 468,890,000 in 1959.

Profit for 1960 amounted to NF. 13,869,000 as against NF. 7,480,000 in 1959. After deduction of NF. 11.4m. in respect of an appropriation to the Stock Reserve, it was resolved to distribute dividends of NF. 1.25m. in respect of shares participating in profits as from January 1, 1960, and of NF. 0.62m. in respect of shares participating as from July 1, 1960.

It was also resolved to raise the limit of bonds or debentures which the Board of Directors are authorised to issue from NF. 30m. to NF. 50m.

At an Extraordinary General Meeting held immediately after the Annual General Meeting, the Board of Directors was authorised to increase the capital to NF. 140m. in several stages, by cash issues or by the capitalisation of profits, reserves, bonuses or provisions, or by both methods simultaneously.

The meeting also resolved to change the Company's title by adding the prefix CSF.

EAST RAND CONSOLIDATED

NEW SHARE ISSUE

The thirty-fifth annual general meeting of East Rand Consolidated, Ltd., was held on July 20th at the Chartered Insurance Institute, London, E.C.

Mr C. J. Burns, Chairman, presided.

The Chairman said: It is usual, in view of the length of notice imposed upon us by conditions attaching to a Johannesburg share quotation, for me to address a few remarks to Members to bring them up to date and this year I intend to deal also with our proposal to increase the Issued Capital of the Company in view of its importance to Members.

It is my opinion that we have at the present time reached a stage in the Company's existence when it may not be inopportune to review the considerable change which has taken place in the Company's financial and profit-earning structure during the past few years, and especially since the majority of the present Directors were elected to office.

INCREASING REVENUE

In 1957 our Income from dividends was £30,759 and sundry revenue was £1,703, while our quoted investments had a book value of £536,904. By 1960 our dividend income had increased to £55,547 while our income from royalties and sundry revenue was £13,110. The book value of our investments at the present time has advanced to £665,636; that is to say, an increase of £130,000 in four years. During this period dividends paid to Members have increased from a maiden dividend of 6½ per cent to 10 per cent together with increased cover therefor, and, in spite of the sound asset backing together with two secure and increasing sources of revenue, our shares, owing to the economic uncertainties in this country and the political situation in South Africa, are priced at little more than their par value. This is a situation over which the Company itself has little control. Incidentally, it is a provoking thought that, whereas in 1950 when the Company's investment and other income totalled as little as £10,000 and when a loss of £17,000 was



RELIANCE CLIFTON CABLES & Industrial Products Limited

SUMMARY OF RESULTS FOR 1960

PROFITS BEFORE TAX	£	£
		475,892
Taxation	49.9%	237,430
Preference dividend	1.2%	5,671
*Ordinary dividend (20%)	14.4%	68,600
Retained	34.5%	164,191
* and a capital distribution (not subject to tax) 7½%.		
Retained profits and depreciation...		201,158
Capital expenditure		228,695
ISSUED CAPITAL: Ordinary		560,000
Preference		185,190
RESERVES (excluding future tax)		1,607,621
NET CURRENT ASSETS		1,845,856

Copies of the full Report and Accounts can be obtained from

THE REGISTRARS, 33, KING WILLIAM STREET, E.C.4.

made on the year's operations and with a poor asset backing, our shares were priced at twice what they are today. At that date, 75 per cent of the Company's investments were in gold mining shares as against 30 per cent in 1961. Included in the 1950 total were substantial holdings in Eastern Rand gold shares which represented 60 per cent of the Company's total portfolio. Today they form only 5 per cent of the total.

FUTURE OUTLOOK

It is the considered view of your Directors that the Company has now recovered successfully from the difficulties of its inheritance and is in the process of establishing itself with the investment public as a Company giving a secure and above-average return for its shares, coupled with the promise of better dividends to come in the future.

This future can be enhanced by ensuring that the Company has adequate working capital to take full advantage of its special tax position, which enables it to earn for its members returns higher than those available to others. It is clearly desirable to press this advantage for current benefit.

While current political and economic conditions have resulted in lower share prices generally, such conditions also render more opportune the investment of the new monies resulting from the issue. It is interesting in this connection that, in spite of present lower share quotations, our portfolio other than South African holdings has an appreciation of some £57,000 at the present time over book cost which, however, is almost entirely cancelled by the major decline in South African gold shares which has occurred. While we anticipate that a large part of this fall in South African share prices will be made good when the present South African Exchange Control Regulations are relaxed, the appreciation in the remainder of our portfolio is evidence of the Board's financial judgment.

The present Board's financial policy has been amply justified by the growth in secure sources of income and a more solid asset backing together with an increasing dividend distribution since 1956. The only limiting factor has been the inadequacy of working capital, and the proposed issue will enable the Board to accelerate the programme which has so fundamentally improved the Company's fortunes. It is in this way that the Company's status in the market will be based not on past remembrances but on present performance and expectations.

Letters for the provisional allotments, together with a formal circular to Members dealing with the share issue and a copy of these remarks are to be posted to all Members on July 26th. The right to take up and pay for these shares will remain open for three weeks, after which time the receipted allotment letters in respect of acceptances will remain in currency for a further three weeks. The new shares allotted as a result of this issue will be entitled to any dividend declared in respect of the year to December 31, 1961, and income from investments, together with our increasing revenue from royalties, should ensure the maintenance of the present dividend of 10 per cent on the new capital. My Review mentioned that Vanadium Royalties should again show a material increase. For the first five months of this year they total £16,377 as against £10,583 for the whole of 1960.

The very large number of proxies received supporting the proposals for this issue not only

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augurs well for its success but can be read as a mark of confidence by the general body of shareholders in the Directors' ability to provide for them a rewarding investment.

The report and accounts were adopted; the dividend was approved and a Resolution was passed authorising the issue of 3,000,000 shares of 2s. each to members at par in the proportion of one such share for every two shares held.

ISTITUTO MOBILIARE ITALIANO IMI

(Italian Finance Corporation)

121 Via delle Quattro Fontane,
ROME, ITALY

The twenty-ninth Annual General Meeting of Istituto Mobiliare Italiano (IMI) was held in Rome on June 7, 1961, under the Chairmanship of Mr Stefano Siglienti, to examine and approve the balance sheet for the fiscal year ending March 31, 1961.

In the first part of its Report, the Board of Directors reviews, as usual, the general activities of IMI during the period, against the background of the Italian economic situation as a whole and examines some problems of industrial credit.

After noting that at the end of 1960 more than 40 per cent of total lending by special credit institutions to industry and public works was accounted for by IMI, the Report stresses the necessity for bringing the structure of the financial market into line with the constantly increasing degree of internationalisation of the Italian economy and the growing needs of the productive apparatus by perfecting already existing institutions and techniques and, possibly, setting up new ones. This process the report states must be carried forward with great care in order to avoid disturbing the existing system, which has made no mean contribution to the reconstruction and development of Italy's productive apparatus.

As regards the IMI's activity during the period under review, this may be summed up in the following data: a 20.2 per cent rise in applications for financing and a 19.2 per cent rise in credit operations concluded.

New applications received totalled more than 280,400 million lire, 76.2 per cent of which came from manufacturing industries. As regards the geographical distribution of applications, those from southern Italy rose fourfold on 1959-1960 and accounted for 19.3 per cent of total applications during the 29th fiscal year.

During the same period, credit operations effected amounted to 192,437 million lire, of which 181,341 million lire came out of IMI funds and 11,096 million lire out of "special loans funds." In the latter category, the report underlines the recovery in the IMI's financing activities in its capacity as Italian agent of the European Coal and Steel Community, which has attained a total of 5,750 million lire, representing Italy's quota out of the 35 million dollar loan launched by the Community in the United States in October 1960.

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Out of the 181,341 million lire operations made with funds taken up by IMI on the capital market, 157,957 million lire was absorbed by industrial investment financing in Italy and 23,384 million lire by export credit operations.

Financial assistance given to Italian exporters was 20.6 per cent higher than in the preceding period, and once more the highest percentage of such export financing (about 50 per cent of the total) referred to exports to Latin America. Operations in respect of exports to Europe, India and some African countries also gained in importance.

The report points out that in January 1961 IMI signed a new financial co-operation agreement—the fifth to be entered into with credit institutions in importing countries—namely, with the Bank Handlowy in Warsaw within the framework of the Italian-Polish agreement for the delivery of equipment goods. Moreover, in order to promote Italian activities abroad, new participations have been taken up in financial companies in Morocco and Mexico as well as in an Italian committee set up to study new opportunities for Italian ventures in Canada.

As far as investment finance is concerned, the report underlines the growing share of loans received by manufacturers, particularly those producing investment goods in the mechanical, steel and chemical industries. Lending activity on behalf of southern Italy increased to 24 per cent of the aggregate of IMI's credit operations during the period.

As a consequence of this greater activity loans outstanding at March 31, 1961, showed a further record rise of 14.8 per cent over the preceding year, with a total of 896,760 million lire.

IMI's activity was facilitated by the remarkable liquidity of the financial market, which permitted the placing of an increased amount of bonds. New bonds issued during the period under review totalled more than 142,500 million lire, a 40 per cent increase over the preceding period. Consequently bonds outstanding at March 31, 1961 reached a total of 543,746 million lire showing a net increase of 101,922 million lire. All new issues carried interest at 5 per cent, which permitted a further slight reduction in the interest rates charged on borrowers from IMI.

Funds taken up abroad totalled 13,400 million lire and were practically fully accounted for by the funds made available by the Export-Import Bank of Washington. Yet a new bond issue on the Swiss market and a further borrowing operation from Export-Import Bank worth 34 million dollars, to finance a large nuclear plant in Italy, are announced.

The assets situation of IMI was also very satisfactory. Reserve funds once again increased from 43,197 million lire to more than 50,559 million lire and net profits rose to 1,947 million lire as against 1,847 million lire in the preceding year. Net profits were confirmed by the statement of income and expenditure, which showed an amount of 35,757 million lire, under the item "income" and of 33,810 million lire for "expenditure."

It was consequently proposed to distribute, as usual, a dividend of 8 per cent on the paid-up capital and to appropriate some 1,468 million lire to the reserve funds, which thus reached a total of more than 52,000 million lire. The report, the accounts and the proposals put forward by the Board of Directors were adopted unanimously.

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THE MIDLAND TAR DISTILLERS LIMITED

BOARD'S DEVELOPMENT POLICY

MR R. B. ROBINSON ON NEW PRODUCTION METHODS

The thirty-ninth annual meeting of The Midland Tar Distillers Limited was held on July 21st at the registered office, Springfield Chemical Works, Oldbury, Mr R. B. Robinson, BA (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 March 31, 1961:

In my statement accompanying the Accounts for the year ending March 31, 1960, I referred to our future policy, as follows:

"Our policy, thus, is to extend our chemical manufacture by isolation and development of the constituents of our tar, by the manufacture and development of chemical derivatives of the finished products so obtained, and by the adoption of other processes of chemical manufacture, which either use one or more of our existing products, or may depend on quite other raw materials. Obviously this policy raises the question of the fair allocation of proceeds between the tar producers as such and the Company. We have already faced this problem and there is no insurmountable difficulty here."

This policy has had an important bearing on the Accounts for the year ending March 31, 1961.

We have quite extensive Research and Development Departments, the work in which, up till last year, was devoted to matters strictly connected with our business as distillers and refiners of tar. The costs of the Departments were a proper charge, therefore, in the Accounts drawn up in conformity with the provisions of the Tar Agreement to arrive at the price payable for our Crude Tar. We have now begun, however, to study and develop projects which are wholly or partly for the benefit of the Company rather than for the benefit of the Crude Tar Producers. It follows that in these cases the costs of the preliminary Research and Development expenses must also be borne in whole or in part by the Company and this change of allocation has been mainly responsible for the reduction in trading profit for last year.

This should cause no despondency but rather encouragement because expenditure of this class is made today so as to earn profits tomorrow and we should begin to feel the benefit of it in 1962-63, though the projects in hand which have already committed us to Capital Expenditure of £500,000 are not likely to yield a full year's benefit until 1963-64.

Our supplies of Crude Tar have fallen only slightly. We paid to our Tar Producers the highest price we have ever paid, and you might well suppose that this also implies a higher revenue for the Company. So it does, but the lion's share goes to the Producers under the provisions of the Crude Tar Agreement.

Despite the somewhat lower profit, the Directors, as you will see, propose a repetition of last year's distribution of 12½ per cent on Ordinary Capital. This absorbs just over 50 per cent of the net profit.

TRADING ACTIVITIES AND DEVELOPMENTS

At home our Phenol sales have been very good: indeed Tar Acid sales as a whole are

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limited only by our ability to produce, which we have carried as far as efficiency permits.

The picture presented by White Products sales, however, is by no means so attractive. We are up against the ability of the Oil Companies to produce solvents by the use of modern techniques. When one bears in mind, in addition, the doubt about the continuation of the present preferential excise duty of 1s. 3d. per gallon after 1964, it will be seen that the outlook for our White Products is not good. Needless to say, the whole problem is receiving our very close attention.

As you know, we are developing the production and exploitation of Pyridine and Pyridine Bases and their derivatives and you may have seen in the Press the announcement of our plans to increase considerably our production of Pyridine. The Pyridine Bases are only found in Crude Tar in very small proportion and even so, few Distillers practise full extraction. In the 1920s blends of Pyridine Bases meeting either of two international specifications were used at home, in Europe and the United States for the denaturing of industrial alcohol. These markets have dwindled over the years and they could not in any case be said to involve chemical exploitation. However, during the last 15-20 years Pyridine itself has found its place as a versatile organic chemical. We ourselves use relatively large quantities of Alpha Picoline for the production of 2-Vinylpyridine. Beta Picoline is used in the production of Nicotinic Acid and Nicotinamide, components of the Vitamin B complex, and Gamma Picoline is the starting point for the anti-TB drug, Isoniazid.

You may have noticed in the Press references to the production and development of "Promintic." This product consists of a Pyridine-base derivative which was one of a number of research-scale chemicals which we produced and offered to industry for examination. ICI Limited found that this particular chemical had great value as a veterinary anthelmintic and after very extensive trials are marketing it for that purpose. We have an agreement with ICI with regard to the supply of the chemical.

This is far from being the whole story, but obviously chemical exploitation would always be subject to limitation if availability were confined to the quantities extractable from Crude Tar. This is why we decided to increase our production by new methods.

During the year a new continuous Naphthalene crystallising plant was put to work at Four Ashes and after the inevitable teething troubles, has settled down well and is a credit to our Technical Staff. It has enabled us to reduce costs and increase output.

Road tar continues to be a large and important market for us and our good position here has been well maintained. On the other hand, the Tar Fuels market, which on the whole has been a successful feature in our sales, has been considerably disturbed by the Hydrocarbon Oils duty in the Budget and has not yet settled down.

The exploitation of Pitch and Creosote constitutes a field that has been exhaustively worked over already for very many years past, a fact which the Coal Tar Research Association discovered when it began life in 1918. We have

developed and are continuing to develop and explore outlets for special qualities of Pitch and Creosote, but these are not likely at best to yield anything massive. The ancient export markets for these materials have virtually disappeared as far as we are concerned.

BUILD-UP OF EXPORT ORGANISATION

Quite apart from these, however, we are not at present able to allocate very large quantities of our other products for export. Nonetheless, and particularly having in mind future expansion in new directions, we are building up our export organisation so as to be able to handle business in every country. We already have, as you know, an American Company selling, in the main, Tar Acids, and a subsidiary thereof which handles the import arrangements for the Tar Acids and sells bulk liquid storage facilities as well.

During the year, as you may have seen from the Press, we have formed a Company known as Schenectady-Midland Limited, in conjunction with Schenectady Varnish Inc. of America, to manufacture and sell the special resins, adhesives, varnishes, etc., for which Schenectady have earned a great reputation in the States. This step is responsible for the increase in Trade Investments as shown on the Balance Sheet. The new Company was incorporated in the Autumn and so far we have been exploring outlets and developing sales by way of importation from Schenectady. Prospects, however, are sufficiently encouraging to support a case for the erection of manufacturing plant and with this in view we have already cleared and serviced a portion of our 60 acre site across the canal from our existing Works at Four Ashes. The building up of an enterprise like this, although it is not spectacular in size, takes time and patience, but we can see the prospect of useful business which we intend to expand by every means possible. This development is one in which the Tar Producers, as such, are not concerned.

The new Market Development Department to which I referred last year is proving most valuable. The relationship between Sales, Market Development, Research and Development and Production can always present something of a problem; in our case the Departmental Heads meet together quite frequently and so ensure that each point of view is given its full weight. The optimism I expressed in referring to all this in general terms last year is proving to be justified.

Despite what I have just said about particular Departments nothing must cause us to forget our gratitude to our Staff in general and to our workpeople whose united efforts are vital to our progress.

The report and accounts were adopted and the dividend of 12½ per cent on the Ordinary Shares was approved.

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

*The Company Meetings Department,
The Economist,
22, Ryder Street, S.W.1.*

THE TRUSTEES CORPORATION LIMITED

SIR EDWIN HERBERT'S REVIEW

The Seventy-third Annual General Meeting was held on July 26th at Winchester House, EC2. Sir Edwin Herbert, KBE, LL.D., the Chairman, in the course of his speech said:

Once again I am able to present to you Accounts which I am sure you will consider satisfactory.

The Gross Revenue from Interest and Dividends shows an increase of £105,169. We received £75,873 from Double Taxation Relief as against £73,431 last year. Underwriting Commission at £6,559 compares favourably with the previous year's receipts. The net receipts from our Safe Deposit, at £3,059, are slightly down when compared with the previous year. Trustee and other fees remain practically unchanged at £11,068.

Expenses show only a slight increase over the year. Net Revenue for the year, after charging £368,080 for Taxation, is £506,469. This shows an increase of £54,110 for the year. We recommend a final dividend of 17 per cent on the Ordinary Stock (making 25 per cent for the year). We have transferred £130,000 to the General Reserve—bringing it up to £1,000,000—and increased our carry-forward by £7,821.

The value of our investments at £21,052,997 constitutes a record in the history of this Corporation.

In order that we may be in a position to take advantage of any favourable investment opportunities and to meet the frequent calls upon our treasury to take up our "rights" in new issues we have since the end of our financial year placed £1,000,000 6½ per cent Debenture Stock 1987-92 at 98½ per cent.

In addition, as we have already announced, it is our intention to offer to Ordinary Stockholders the right to apply for New Shares in the proportion of one new share for every ten stock units held. We have now fixed the issue price at 25s. per Share which shows a good bonus for our Stockholders. It is not intended that these new shares will rank for the interim dividend payable in January, 1962, but in all other respects will rank *pari passu* with the existing Ordinary Stock. This issue will raise approximately a net sum of £1,122,500 which will be used for the general purposes of our business.

I do not think that we can look for a continuance of the rapid growth of our income which has taken place in the last few years. Nearly all the annual accounts which we are now receiving show that profit margins are being squeezed. It is clear that the increase in productivity is not keeping pace with the wages demands and in these circumstances I feel that we are going to see another bout of inflation. In fact perhaps it is already with us.

It is to be hoped that the corrective measures announced by the Chancellor of the Exchequer yesterday will provide a solution to this problem. If in fact this does happen it must in the longer term have a beneficial effect upon our economy and therefore upon the fortunes of this Trust.

In the normal course the income from the new monies being raised will augment our earnings for this year, but beyond that we do not look for a greatly increased revenue from our existing investments. We intend to pay an interim dividend of 8 per cent on the existing Ordinary Stock and subject to any unforeseen circumstances we would hope to be able to recommend a final dividend of not less than 17 per cent on the capital as increased.

The report and accounts were adopted.

BOARDMAN, MARDEN LTD.

The statement presented by Mr K. O. Boardman, chairman and managing director, to the annual general meeting of Boardman, Marden Ltd. in Manchester on July 26th said the result for the year, 1960-61 had exceeded the previous year's record by £199,341 with a net profit of £621,086.

After providing for taxation and the Ordinary dividend of 31½ per cent, a revenue surplus of £159,903 remained, making a total carry-forward of £472,083. All the principal subsidiaries made considerable progress and returned record profits with only one exception. The group's increased turnover was derived mainly from the garment trade.

COMPETITIVE CONDITIONS

Mr Boardman said that the cloth and garment shortages of last year had now mainly disappeared, leaving ample reserve stock and in consequence more competitive conditions were ruling. Current order books in the cloth manufacturing trade were at a reduced level compared with the same time last year due, to a great extent, to loss of confidence within the industry created by the still unresolved position of future Commonwealth imports. The prospect of Britain's early entry in the Common Market was a situation he welcomed as he did not believe the challenge of this vast European market with its enormous potentials should be resisted.

Turnover for the first three months of the current year was slightly below that of last year, but conditions for the remainder of the year should improve as bookings for the autumn season were good.

The report and accounts were adopted.

COMPANY AFFAIRS

Great Universal Stores

SCHOOLTEACHERS have been joined by the ordinary shareholders of Great Universal Stores as early victims of the Chancellor's measures. In maintaining the ordinary dividend for the year at 37½ per cent the directors say that this decision is a direct result of the Chancellor's exhortations. Before Tuesday it had been their intention to declare a bigger dividend. The interim dividend was raised last November from 7½ to 12½ per cent but with the usual disclaimer; even so the stock market was confidently looking for a maintained final payment of 30 per cent, to bring the total dividend to 42½ per cent, and after the announcement of an unchanged dividend the 5s. "A" shares were marked down by 4s. 3d. to 46s. 9d. to yield 4 per cent. The market was also hoping for a further scrip issue—and not without justification for reserves now stand at over £73 million, against an ordinary capital of £23 million.

In fact the results for the year do not really justify an increase in dividend for profits in the second half of the year to March 31st have shown nothing like the buoyancy of those for the first six months of the group's trading year. In that period trading profits rose from £12,110,000 to £13,194,000 but in the second half the increase was only about 2 per cent, from £15,058,000 to £15,388,000. Thus over the year trading profits are up by only 5½ per cent, from £27,168,000 to £28,583,000; this increase is more than matched by a rise of £1,601,000 in the tax charge, of which £645,000 is due to the increased rate of profits tax. Higher investment income and lower depreciation, interest charges and minority payments enable the group to show a 3½ per cent increase in net profits from £11,419,000 to £11,827,000. This represents earnings of 82½ per cent, against 79½ per cent, so that the cover for the unchanged dividend has risen only slightly to 2.2 times.

In comparing these results it must be noted that unlike last year when a provision of £5,666,000 was made for unearned hire purchase profits the total provision this year has been reduced by £1,169,000 and stands in the balance sheet at £19,413,000. As expected with the reimposition of hire purchase controls last year the swing has been towards cash and short term credit sales and at March 31st other instalment debts were shown in the balance sheet at £33,771,000, against £29,457,000. It seems clear from the figures that the decline in trade in furniture and other household goods largely brought about by hire purchase controls has been greater than expected and that this has been barely offset by the still buoyant demand for clothing and footwear.

General Electric

SHAREHOLDERS in General Electric who have just sustained the shock of another sharp fall in profits in the year to March 31st last will find little of comfort in the full report and accounts. They will have to wait until the annual meeting in six weeks' time for a report from their new chairman, Mr A. L. G. Lindley, on the company's progress in the current year. Then he has also promised them "up-to-date information regarding matters of importance."

The reasons for the fall in profits before tax from £4.8 million to £3.3 million are all too apparent—very low margins in the heavy electrical division and heavy losses in the domestic equipment and radio and television business. The directors admit frankly that when the two dividends for 1960-61 were declared in January and April of this year so as to maintain the payment at 10 per cent the full extent of the losses in the radio, television and domestic equipment divisions was not apparent. Nor was the need for substantial provisions in the electric traction division then clear. The implication of these statements is that the dividend, which is not fully covered by earnings of 8 per cent, might well have been cut if General Electric had not brought forward its dividend payments at the time of its offer for Radio and Allied Holdings.

SALES AND PROFITS

(£ million)	1955	1959	1960	1961
Home sales	60.4	80.3	88.3	87.1
Overseas sales	18.9	27.7	28.6	31.5
Total sales	79.3	108.0	116.9	118.6
Profit before tax	7.5	4.2	4.8	3.3
Profit before tax/sales %	9.5	3.9	4.1	2.7
Orders outstanding ..	81.3	132.8	137.8	149.0

What are the prospects that this payment will be maintained in the current year as the directors forecast it would be last March? The directors emphasise that the benefits from the reorganisation scheme will not be apparent for some time. There is little likelihood of much improvement from the heavy engineering division for while a number of orders have been received margins remain low. Development projects not only in nuclear but also in the field of heavy electrical plant remain an additional and heavy burden, though the directors believe that provisions already made to cover the Hunterston atomic power contract should be sufficient.

Prospects for domestic equipment and radio and television sets depend to a large extent on the effects of the Chancellor's measures, in the form of higher purchase tax and also higher hire purchase interest charges. The radio and television division

has been strengthened by the Radio and Allied acquisition and the group is now making substantial economies through the pooling of common services. Both the lamps and telecommunications divisions earned higher profits last year and orders are good. At March 31st the group's total orders amounted to £149 million, £11 million more than at the end of March, 1960.

Not the least difficult problem facing the new chairman and his fellow directors is the present net overdraft of £11 million which largely reflects an increase of £10 million in stocks. Clearly every effort must be made to restore the group to a more normal basis of profitability for as the table shows, gross profit margins in the last few years have been extraordinarily low. At 29s. 9d. the £1 shares yield 6.7 per cent which is below the 8.1 per cent offered by Associated Electrical at 36s. 9d. but above the 6.3 per cent offered by English Electric at 31s. 6d. In the present credit squeeze, shareholders could hardly blame the GEC directors if they went back on their earlier forecast and reduced the dividend.

Arusha Industries

IN recommending shareholders of Arusha Industries to accept the revised terms of Federated Mortgage Corporation's loan of £1½ million to the company Sir Harold Gillett and his fellow directors seem in fact to have admitted their inability to put forward other proposals to resolve the company's financial difficulties. The revised terms negotiated by Mr Lindsay Carstairs, who if the proposals are approved by Arusha, will again become chairman of the company, are certainly far less onerous than those originally proposed.

Now it is proposed that only half the £1½ million should be advanced by way of debenture, the remaining £750,000 coming from a straightforward purchase of 1,875,000 shares in Arusha at 8s. each. This will give the corporation a 33 per cent stake in Arusha; this is virtually a controlling interest which it could presumably sell if it so desired. Against this, however, the repayment of the £750,000 debenture will not start until eighteen months after the completion of the loan agreement and will be repayable in quarterly instalments of about £73,000 each spread over three years. This compares with the £585,000 which the company would have had to find in the first year for repayment under the original proposals; the size of this and subsequent repayments was one of the features most strongly criticised by Sir Harold Gillett and his fellow directors in recommending shareholders to reject the original proposals. He and some of the other directors will resign if shareholders accept the new proposals. If these are rejected Mr Carstairs will resign while Sir Harold and the other directors will endeavour to resolve the company's difficulties by finding other means of finance. But it now seems unlikely that they will have to do so.

EDUCATION; BUSINESS AND PERSONAL

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.

THE POLYTECHNIC

309 REGENT STREET, W.1.

A four-year sandwich course—DIPLOMA IN COMMERCIAL ADMINISTRATION WITH ENGINEERING—will commence in January, 1962.

The course is industry based, and firms considering training members of staff in the field of commercial engineering are invited to apply for further information. Careers masters would be furnished also with names of firms offering careers under this scheme.

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Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for London Univ. B.Sc.Econ. (three if entrance is included) at moderate fees. 1,451 Wolsey Hall students passed London Univ. B.Sc.Econ. exams, 1950-60. Tuition also for G.C.E., Law, Statistical, other exams.—Prospectus (mention examination) from E. W. Shaw Fletcher, C.B.E., LL.B., Director of Studies, Dept. P16, WOLSEY HALL, OXFORD.

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APPOINTMENTS

THE IMPERIAL TOBACCO COMPANY

have a vacancy for a young woman graduate with a good degree in Economics. Some knowledge of statistical methods is an advantage. The post is a specialised one dealing with the interpretation of the effects of economic trends on the Company's business.

Applications, giving details of academic background, should be addressed to: THE STAFF SECRETARY, THE IMPERIAL TOBACCO CO. LTD., BRISTOL, 3.

MASSEY AGRICULTURAL COLLEGE

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Senior Lecturer/Lecturer in Agricultural Economics Assistant Lecturer in Economics

Applications are invited for the above positions. Salaries: Snr. Lecturer £1,750-£2,000 p.a. Lecturer ... £1,250-£1,700 p.a. Asst. Lecturer £900-£1,000 p.a. Fares paid.

For further details and conditions of appointment, please apply to the undersigned, with whom applications close on 18th September, 1961. A. J. WEIR, Registrar.

UNIVERSITY OF TASMANIA

LECTURESHIP IN POLITICAL SCIENCE

The University invites applications for a Lectureship in the Department of Political Science. Candidates should have competence in one of the following fields: Political theory, institutions, international relations, and public administration.

The salary scales for Lecturers are Grade II £A1,650-£700-£1,800, and Grade I £A1,800-£700-£2,350. Appointment will be offered within either of these grades according to qualifications and experience.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, Marlborough House, Pall Mall, London, S.W.1.

Applications close, in Australia and London, on September 11, 1961.

For other appointments see page 508

MARKET RESEARCH

Within our marketing team we propose to appoint a Research Officer (male or female) who will be required to interpret published recurring information and recommend action; also suggest and commission research and interpret results in relation to marketing problems affecting this developing Food Company within Unilever.

Candidates should have an Economics degree and an interest in statistical methods. A success story of a few years' experience in this stimulating work will, however, be more important.

Salary range is wide, and starting salary will depend upon experience and qualifications.

Apply, giving brief personal details, to Company Personnel Adviser, T. Wall & Sons (Meat & Handy Foods) Ltd., Atlas Road, Willesden, N.W.10, quoting reference No. 100.

United Dominions Trust

WITH a fall in profits from £3.78 million to £2.35 million, and in earnings from 64½ to 20½ per cent, which leaves the unchanged dividend of 26½ per cent short-earned, United Dominions Trust, Britain's biggest hire-purchase finance house, provides another shock from an industry that in the past ten months has recorded many setbacks. This sharp fall in profits in the year to June 30th partly reflects an exceptional provision of £500,000 towards estimated bad and doubtful debts. The usual explanations for the setback are given—higher interest charges, heavy non-recurring expenditure, and greater losses—but most disturbing is the chairman's remark that "in order to maintain our connections we had to take transactions which were almost certain one day to result in losses." Shareholders might be excused for thinking such connections expensive.

Total assets at June 30th amounted to £215 million, an increase of £40 million on the year, while hire purchase and other advances rose from £151 million to £188 million. Deferred income, comprising earnings on transactions that have not yet run their full course, rose by only £1.6 million, a modest increase reflecting the shortening of the credit periods offered. To finance this increase in business UDT, in contrast to the previous year, relied more heavily on bank borrowing (which increased from £33 million to £58 million) while deposits rose by only £8 million to £110 million. The group's liquid resources still remain high at £15.7 million.

Following the one-for-two rights issue, capital funds have risen from £20.3 million to £26.3 million. The £1 shares, which may soon be subdivided, have fallen to 137s. 6d. x.d., yield 3.9 per cent.

Brewers Three

LAST weekend brought good news for shareholders in three brewery companies. Earlier this month the directors of **Courage, Barclay and Simonds**, the London brewers, had announced that profits of £4,027,000 in the year to March 31st compared with a total of £2,587,000 in 1959-60 before the acquisition of H. and G. Simonds. The chairman, Mr R. H. Courage, has now revealed that, including Simonds, profits in 1959-60 would have been about £3,535,000. Thus the profits of CBS have risen by 14 per cent and the total dividend at 14 per cent compares with 13½ per cent forecast at the time of the Simonds merger.

CBS formally acquired Bristol Brewery Georges on April 1st at what to some observers outside the industry seemed to be a high price. This acquisition involved not only a share issue but also a cash payment of £7.3 million. As CBS held only £2½ million in liquid assets on March 31st, it is clear that CBS must have secured sub-

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stantial loans from its bankers and Mr Courage says that the directors are now considering what will be the appropriate time to fund the loans, though he does not make clear quite how the permanent finance required will be raised.

The properties of the group, including those of BBG and Simonds, have recently been revalued, and net assets attributable to the ordinary capital are now estimated at £43.6 million, which imputes a break-up value of 63s. to each ordinary share, compared with a market price of 61s. 6d. The group has set up the Horselydown Property Investment Company which will advise on the development of "specialised properties" and it will provide a link with specialist property developers in making the fullest use of the group's assets. How much CBS will be able to realise on its properties remains to be seen but in the meantime Mr Courage has said that trading results in the first three months were satisfactory and he looks forward to a "very busy year" though he warns shareholders that the full benefits of recent acquisitions must take some time to appear. At 61s. 6d. the £1 ordinary shares yield 4½ per cent, covered 1½ times by earnings.

Sharing the same financial year with Courage and brewing in Burton as well as London, **Truman Hanbury Buxton** raised its sales by 4½ per cent in 1960-61, compared with the national rise in beer consumption of 3½ per cent. Its trading profit rose by 17 per cent from £1,462,000 to £1,715,000; but after heavier charges for tax and depreciation its net profits rose by 6 per cent from £583,000 to £618,000, to leave the cover on the dividend as raised from 17 to 18 per cent, practically unchanged at 1½ times.

	Gross profit (£'000s)		Ordinary dividend (per cent.)	
	Previous year	Latest year	Previous year	Latest year
Courage Barclay	3,525*	4,027	13	14
Truman Hanbury	1,122	1,328	17	18
Vaux	1,087	1,292	20†	30

* Adjusted to take account of Simonds' profits.
† Adjusted for scrip issue.

Courage and Truman have different views about the future of lager sales in this country. The chairman of Truman, Mr G. Bent, shares the view of Whitbread, with which it has certain links, that the traditional quality beers will hold their own against lager, which at the moment accounts for about 3 per cent of total consumption, and he says that Truman will rely on established foreign brewed lager in its houses. CBS, on the other hand, has long brewed Barclay's Pilsner Lager and it has now joined Guinness and Mitchells and Butlers in the development of a new lager brewery at Alton. CBS's own lager brewery at Southwark will eventually be closed. Mr Courage admits that the heavy initial expenses of launching "Harp" lager will mean that it will be some time before this venture is profitable but he believes that this development is "in keeping with the

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trend of the beer market." Mr Bent is guarded in his comments about the more immediate prospect, saying simply that sales so far in the current year have been maintained but that it will not be easy to keep pace with rising costs and taxes. At 80s. 6d. the £1 ordinary shares of Truman yield 4½ per cent, covered 1.8 times by earnings.

Vaux and Associated brews in Sunderland, Kendal and Edinburgh. It falls into a different category in the market in brewing shares for even after a sharp dividend increase its £1 ordinary shares at 165s. yield only 3.6 per cent. This can be attributed largely to earlier take-over rumours. The group has a good record of profits. In the year to April 30, 1960, its gross profits rose by 40 per cent but this reflected the acquisition of Thomas Usher, the Edinburgh brewer, and the rise of 19 per cent from £1,087,000 to £1,292,000 in 1960-61 must be judged to be satisfactory. Its dividend has been raised from the equivalent of 20 to 30 per cent, covered over twice by earnings, and there is to be a one-for-one scrip issue. Clearly, any bidder for Vaux will have to pay a good price.

Television Results

THIS week two leading independent television companies have announced higher profits and dividends for the year to April 30th. The preliminary report from **Associated Television** is as cryptic as usual, revealing only the gross profit figure and the dividends; but the news it contained was good enough to push the price of the 5s. "A" shares up by 5s. 9d. They now stand at 32s. 9d. and yield 9.1 per cent. Gross profits rose by little more than one per cent in 1959-60 but last year they rose by 19 per cent from £5,388,000 to £6,412,000. What surprised the market was the increase in the dividend from 50 to 60 per cent, which on a normal tax charge should be covered about 1½ times. Last September the chairman, Mr Prince Littler, said that the group was more diversified than ever, with its interests in television in this country, North America and Australia, in British Relay and Wireless, in Muzak background music and Pye gramophone records.

The gross profits of **Associated Rediffusion** rose by 7½ per cent from £7,849,000 to £8,431,000 but the £500,000 charged for obsolescence in 1959-60 has not been repeated. The tax charge of £4½ million is heavy but net profits also rose by 7½ per cent from £3,659,000 to £3,932,000. The total tax free dividend has been raised from 25 to 30 per cent. Most of this will accrue to British Electric Traction, which holds a 50 per cent interest, and Rediffusion, which holds a 37½ per cent interest. These results bear out the chairman's forecast last year that the loss of the receipts from the ending of the networking agreement with Granada last July would be more than made good from other sources.

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Montecatini

THE newcomer in the growing list of European companies with a London Stock Exchange quotation is Montecatini, the largest chemical and mining group in Italy and one of the largest in Europe.

A large part of the company's capacity was destroyed in the last war and there has been an intensive programme of reorganisation and reconstruction since then. The group has added to its interests in the agricultural field, including insecticides, while its power stations now produce 85 per cent of its power requirements in Italy. Like other chemical companies Montecatini has devoted a good deal of its research effort to plastics and it recently developed isotactic polypropylene, which shows a greater resistance than ordinary plastics to heat and mechanical wear.

Montecatini now produces about half of Italy's total output of agricultural chemicals, synthetic fibres, dyes and plastic materials and in the metallurgical field it accounted in 1960 for about 62 per cent of the country's aluminium output, 35 per cent of its lead production and 25 per cent of its zinc output. Sales last year amounted to £136 million, of which about 18 per cent represented exports; in the first four months of the current year sales were 11 per cent higher than in the corresponding period in 1960. The company's profit record over the last five years is uneven but this largely reflects the sharp increase in depreciation provisions arising from the group's programme of capital expenditure. The group is continuing to spend heavily on capital account and commitments for the next two years amount to £75 million, of which a substantial part is earmarked for new petrochemical facilities at Brindisi.

The lire 1,000 shares are being introduced through Hambros Bank, which will issue deposit certificates in London representing shares deposited in its name with Credit Italiano di Milan. At a London price of 53s. 7½d. the shares yield about 2½ per cent, more than one point less than the current return on the £1 shares of Imperial Chemical Industries.

Ruston and Hornsby

THE hopes of a brighter future for Ruston and Hornsby expressed nearly a year ago by the chairman, Mr W. J. Ruston, were not realised in the year to March 31st, for profits fell for the eighth consecutive year. The chairman cites three main reasons for this further setback: the improvement in general trading conditions did not come early enough to have much influence on the year's results; a heavier wage burden cut into profit margins; and there was a shortage of suitable labour; and technical problems arose which hindered deliveries. As a result, trading profits fell by 12 per cent from £1,367,000 to £1,205,000, even though there was some improvement in the group's sales.

Output of the Davey, Paxman subsidiary,

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which makes diesel engines and boilers, fell last year, and it was left with some idle capacity in its factories. This company added to its profits but this was due mainly to the inclusion of non-recurrent items. In contrast the record of the associate company, Ruston-Bucyrus, is one of full employment and overtime working; but even then demand was unsatisfied and the order book for the company's earth-moving products lengthened. The group benefited from the higher dividends paid by this subsidiary; these were reflected in the increase in investment income from £366,000 to £406,000.

A sharp increase of £2 million in working capital left the group at the end of March with a net overdraft of £192,000. Capital commitments then amounted to £248,000, so that with the maintained 9 per cent dividend covered little more than 1½ times, it appears that the company will have to conserve resources this year. Mr Ruston indicates that the group should hold its own in the current year as orders have risen and as the effects of the managerial reorganisation begin to make themselves felt. By 1962-3, he hopes that there will be an improvement in profits. The £1 shares now stand at their lowest point for the year at 23s. 6d. to yield 7.6 per cent.

International Tea

THE disappointing results from Allied Suppliers had already made an impact upon food shares and in particular on the 5s. shares of International Tea, and when that company announced its results this week its shares were marked down again, so that at 14s., compared with this year's peak of 19s. 3d., the yield is 4½ per cent on the maintained dividend of 12½ per cent.

The group's trading profits in the year to April 30th fell slightly, from £2,645,000 to £2,563,000, and its net profits declined from £1,021,000 to £947,000. It seems clear that benefits arising from the group's modernisation scheme involving the conversions to date of about 300 branches into self service stores, have been more than offset by competitive price cutting. International Tea's sales may have again been higher, but its margins must have been lower.

The group is still going ahead with its development programme and capital commitments of £765,000 at the end of April were very little different from those outstanding in April, 1960. Development has been largely financed by the sale and lease-back of freehold properties and the surplus on properties sold last year (as distinct from the actual sum of money raised) was £421,000. Sales under existing agreements with the Legal and General are expected to produce a further surplus of £100,000. Freehold properties of the group a year ago were shown at cost at £6.3 million, so that International Tea, whose annual cash flow is not much less than £950,000, could presumably continue to finance further development by lease-backs.

London Stock Exchange

FIRST DEALINGS	July 10	July 24	Aug. 4
LAST DEALINGS	July 21	Aug. 3	Aug. 18
ACCOUNT DAY	Aug. 1	Aug. 15	Aug. 29

THE improvement in prices which took place in the London stock market in the middle of last week was not maintained at the end of the Account on Friday although gilt-edged stocks finished the week on a firm note. Anticipation of the Chancellor's speech after the week end was once again having its effect. Small buying and selling and the decrease in recent small investment buying led to sensitive and irregular price movements from Thursday onwards. The tendency to mark time continued on Monday and Tuesday (the Chancellor's statement came after official hours) but although the business remained small prices were a little better. On Wednesday however the market reacted strongly to the previous day's announcements. At first there were widespread losses but later a number of equities rallied and some wiped out earlier falls to close with moderate gains, but on Thursday shares fell sharply. Over the week to Wednesday *The Economist* indicator showed a net gain of 5.7 points at 376.1.

Short dated gilt-edged stocks improved before the week-end on a little bear covering and investment buying. At the same time War Loan and other undated stocks rose on the assumption that gilt-edged might benefit from stringent long term government measures. But the 2 per cent rise in Bank rate caused some sharp falls of up to 1½ on Wednesday. War Loan 3½ per cent fell one point but over the week to Wednesday still showed a net gain of 1½ to 53½, but all short dated stocks showed net falls with Exchequer 3 per cent 1962-63 down 1½ to 94½.

On balance bank and insurance shares showed moderate gains, notably Lloyds Bank rose by 3s. 9d. to 65s. 6d. and General Accident by 9s. 3d. to 155s. 6d. Hire purchase shares showed sharp falls especially United Dominions Trust which following its disappointing results lost 25s. to 140s. Stores shares recovered slightly, Marks and Spencer "A" gained 1s. 4½d. to 110s. Steel shares dropped, Summers losing 3s. to 48s. 4½d. but Dorman Long went against the trend and gained 2s. to 31s. 10½d. There was a fair turnover in Colvilles new rights which closed on Wednesday at 6d. premium. Property shares showed no decided trend but City Centre gained 3s. 1½d. to 55s. 6d. xr. Electrical shares were generally lower especially General Electric which lost 1s. 9d. to 30s. 9d. following its sharp fall in profits. Engineering shares rose moderately in some cases, Guest Keen and Nettlefolds gaining 1s. 4½d. to 90s. 6d. Food shares showed a few gains particularly Bovril which improved by 7s. 9d. to 63s. Steady demand led to an uninterrupted rise in gold mining shares, Western Holding gained 8s. 9d. to 117s. 6d. and among the finance houses Union Corporation gained 4s. 6d. to 50s.

LONDON AND NEW

Prices, 1961	BRITISH FUNDS AND GUARANTEED STOCKS	Price, July 19, 1961	Price, July 26, 1961	Net Yield, July 26, 1961	Gross Yield, July 26, 1961	Prices, 1961	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, July 19, 1961	Price, July 26, 1961	Yield, July 26, 1961	Cover
High	Low					High	Low					
92 1/2	88 3/4	Savings Bonds 3%	1955-65	90 1/2	88 3/4	£ s. d.	£ s. d.	BANKS, DISCOUNT & HP				
100 1/2	99 1/2	Conversion 4 1/2%	1962	99 1/2	99 1/2	4 18 3	6 2 10 1/2	Barclays	78 3/4	76 10 1/2	3.38	
96 3/4	94 1/2	Exchequer 3%	1962-63	95 3/4	94 1/2	5 1 4	6 7 1 1/2	District	84 1/2	84 3/4	3.80	
101 1/2	99 1/2	Treasury 5 1/2%	1962	100 1/2	99 1/2	3 13 0	6 2 6	Lloyds	61 9	65 6	3.32	
93 3/4	91 1/2	Exchequer 2 1/2%	1963-64	92 3/4	91 1/2	4 18 7	6 0 8 1/2	Martins	21 10 1/2	22 11 1/2	3.39	
99 1/2	97 1/2	Conversion 4 1/4%	1963	98 1/2	97 1/2	4 9 2	6 9 1 9 1/2	Midland	77 9	79 3	3.79	
98 1/2	95 1/2	Conversion 4 1/2%	1964	96 1/2	95 1/2	4 10 8	6 9 4 9 5 1/2	Nat Provincial	79 3/4	82 3	3.40	
101 1/2	96 1/2	Exchequer 5 1/2%	1966	97 3/4	96 1/2	3 18 5	6 5 7 44 9	Westminster 'B'	73 3/4	76 1/2	3.84	
83 1/2	80 1/2	Funding 3%	1959-69	80 1/2	80 1/2	5 0 9	6 8 6 1 52 1/2	Australia & N.Z.	37 1/2	36 9	3.69	
89 1/2	86 1/2	Funding 4%	1960-90	86 1/2	86 1/2	3 15 5	5 10 2 1 22 1/2	Bk. Lond. & S. Amer.	44 3/4	46 6	4.30	
84 1/2	82 1/2	Savings Bonds 2 1/2%	1964-67	83 1/2	83 1/2	5 0 9	6 9 1 1 30 3/4	Bank of Montreal	22 3 1/2	23 1 1/2	2.99	
72 1/2	68 1/2	Savings Bonds 3%	1965-75	68 1/2	68 1/2	4 19 5	6 3 5 1 44 9	Bank of New S. Wales	34 6	37 1/2	5.49	
83 1/2	80 1/2	Funding 3%	1966-68	81 1/2	80 1/2	5 2 9	6 8 1 1 1 64 9	Barclays D.C.O.	51 3	53 9	5.58	
97 1/2	93 1/2	Victory 4%	1920-76	96 1/2	94 1/2	3 4 9	4 16 6 1 21 1/2	Hongkong & Shang.	118	118 1/2	4.11	
85 1/2	81 1/2	Treasury 3 1/2%	1969	82 1/2	81 1/2	4 19 10	6 9 9 1 22 1/2	Nat. Com. Bk. Scot.	53 6	53 6	3.08	
93 1/2	89 1/2	Conversion 5%	1971	89 1/2	89 1/2	4 9 1	6 10 10 11 9 1/2	Royal Bk. Canada	22 1 1/2	22 1 1/2	2.92	
95 1/2	91 1/2	Conversion 5 1/4%	1974	91 1/2	91 1/2	4 3 3	6 7 0 10 40 3 1/4	Royal Bk. of Scotland	96 6	96 6	3.82	
73 1/2	68 1/2	Treasury 3 1/2%	1977-80	68 1/2	68 1/2	4 14 0	6 8 1 1 1 65 1/2	Stam. Bk. S. Africa	34 6	35 6	8.45	
72 1/2	67 1/2	Treasury 3 1/2%	1979-81	67 1/2	67 1/2	4 13 10	6 8 6 1 8 9 1/2	Hambros	125 1/2	130 1/2	3.46	
97 1/2	91 1/2	Funding 5 1/2%	1982-84	91 1/2	91 1/2	3 19 4	6 4 10 10 6 48 9	Union Discount	70 6	74 1/2	2.03	
59 1/2	51 1/2	Redemption 3%	1986-96	53 1/2	54 1/2	4 9 2	6 6 7 7 21 1/2	Unit Discount	48 9	48 9	5.21	
88 1/2	82 1/2	Treasury 5%	1986-89	82 1/2	83 1/2	4 2 10	6 8 5 1 23 6	Wormaker	15 10 1/2	15 4 1/2	1.1	
63 1/2	57 1/2	Funding 3 1/2%	1999-2004	58 1/2	58 1/2	4 6 0	6 7 8 1 21 9	Lombard Banking	17 1/2	17 1/2	5.59	
94 1/2	88 1/2	Treasury 5 1/2%	2008-12	87 1/2	87 1/2	4 0 4	6 10 10 210 1/2	Mercantile Credit	15 1/2	14 9	4.24	
65 1/2	58 1/2	Consols 4%	after Feb. 1957	58 1/2	59 1/2	4 3 0	6 15 6 1	United Domin. Tst.	165 1/2	140 1/2	3.79	
59 1/2	52 1/2	War Loan 3 1/2%	after 1952	52 1/2	53 1/2	4 1 0	6 12 10 1/2					
59 1/2	52 1/2	Conv. 3 1/2%	after Apr. 1961	52 1/2	53 1/2	4 1 7	6 14 4 1/2					
50 1/2	45 1/2	Consols 4%	after Apr. 1966	45 1/2	45 1/2	4 1 4	6 13 11 1/2					
44 1/2	38 1/2	Consols 2 1/2%	after Apr. 1975	38 1/2	38 1/2	4 0 1	6 11 9 1/2					
43 1/2	38 1/2	Treasury 2 1/2%	after Apr. 1975	38 1/2	38 1/2	4 0 1	6 11 9 1/2					
91 1/2	87 1/2	British Electric 4 1/2%	1967-69	87 1/2	87 1/2	4 12 4	6 9 10 1 42 1/2					
75 1/2	72 1/2	British Electric 3 1/2%	1968-73	72 1/2	72 1/2	5 1 0	6 10 4 1/2					
70 1/2	67 1/2	British Electric 4 1/2%	1974-77	67 1/2	67 1/2	4 10 4	6 7 5 1 98 1/2					
81 1/2	78 1/2	British Electric 3 1/2%	1974-79	78 1/2	78 1/2	4 7 8	6 7 6 1 135 1/2					
73 1/2	69 1/2	British Electric 4 1/2%	1976-79	69 1/2	69 1/2	4 13 6	6 8 5 1					
84 1/2	80 1/2	British Electric 3 1/2%	1969-72	81 1/2	80 1/2	4 13 11	6 9 0 1					
81 1/2	79 1/2	British Gas 3 1/2%	1969-71	80 1/2	79 1/2	4 15 11	6 8 8 1					
59 1/2	53 1/2	British Gas 3%	1990-95	54 1/2	54 1/2	4 10 4	6 10 4 1/2					
75 1/2	72 1/2	British Transport 3%	1968-73	72 1/2	72 1/2	5 1 0	6 10 4 1/2					
80 1/2	76 1/2	British Transport 4%	1972-77	76 1/2	76 1/2	4 10 4	6 7 5 1					
61 1/2	56 1/2	British Transport 3%	1978-88	56 1/2	56 1/2	4 14 9	6 9 4 1					

Prices, 1961		DOMINION AND CORPORATION STOCKS		Price, July 19, 1961	Price, July 26, 1961	Yield, July 26, 1961	66/9 40/6 217 a 25 c 66/9 40/6 217 a 25 c		Rugby Portland 51/2 32/9 121 b 171 b		Wall Paper Defd. £1 124/- 126/-		91/- 3-85 2-23 3-14		
High	Low														
82 1/2	78	Australia 3 1/2%	1965-69	78 1/2	78	£ s. d.	29/3 22/6	6 a	14 b	Albrights & Wilson	5/-	23/10 1/2	24/10 1/2	4-02	2 1/2
101	96 3/4	Australia 6%	1974-76	97 1/2	96 3/4	6 15 0	22/- 17/6	3 a	8 1/2 b	Borax Prod.	5/-	17/9	17/7 1/2	3-26	3 1/2
72 1/2	67 1/2	Ceylon 4%	1973-75	68	67 1/2	6 9 0	58/9 41/6	7 b	4 c	Cisons	4/-	43/3	47/6	4-78	3 1/2
101 1/8	97	New Zealand 6%	1976-80	97 1/2	97	6 9 0	26/10 20/-	6 1/4 a	7 1/2 b	F I	5/6	68/9	68/9	4-00	3 1/2
80 1/2	71 1/2	Rhodesia and Nyasaland 6%	1978-81	72	71 1/2	9 2 0		5 a	10 b	Monsanto	5/-	20/6	20/9	3-61	2 1/2
81 1/2	74 1/2	South Africa 3 1/2%	1965-67	75	74 1/2	9 10 0	36/- 24/6	4 a	8 b	CHEMICAL					
59	54	Southern Rhodesia 4 1/2%	1980-85	88 1/2	88 1/2	8 16 0	91/3 58/6	7 1/2 a	30 b	Boots Pure Dron	5/-	27/6	28/9	2-09	2 1/2
94 1/2	88 1/2	Agricultural Mortgage 5 1/2%	1967-70	84 1/2	84 1/2	6 9 4	74/3 48/-	13 1/2 b	5 1/2 a	Montague Burton	7/-	36/3	36/3	3-61	2 1/2
89	84	Birmingham 4 1/4%	1971-73	88 1/2	88 1/2	6 13 0	59/4 1/2	7 1/2 a	30 b	Debenhams	10/-	54/9	57/9	3-22	3 1/2
92 3/4	88	Bristol 5%	1976-79	89 1/2	89 1/2	6 8 0	70/3 50/-	25 a	20 b	G.S. "U.A."	5/-	49/6	51/-	3-68	2 1/2
93	89 1/2	Corporation of London 5 1/4%	1976-79	89 1/2	89 1/2	6 5 0	21/1 15/9	5 a	7 1/2 b	House of Fraser	5/-	54/-	56/-	4-02	2 1/2
48 1/2	43 1/2	L.C.C. 3%	after 1920	43 1/2	44 1/4	6 15 0	117/6 93/7 1/2	15 a	32 1/2 b	Lewis's Invest. Ist.	4/-	16/4 1/2	16/8 1/2	2-96	2 1/2
94	84	L.C.C. 5%	1980-83	84	84	6 9 0	53/10 34/10 1/2	10 a	20 a	Marke & Spencer "A"	5/-	108/1 1/2	110/-	2-16	1 1/2
89 1/2	87 1/2	Middlesex 5 1/4%	1980	88	87 1/2	6 11 0	62/1 50/3	25 b	105 a	United Drapery	5/-	53/3	54/3	3-30	3 1/2
										Woolworth	5/-	53/3	54/3	3-30	3 1/2

NEW YORK PRICES AND INDICES									
	July 19	July 26	July 19	July 26	July 19	July 26	July 19	July 26	July 26
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Atch. Topeka	25 1/2	25 1/2	Boeing	49	51 1/2	Int. Harvester	50	51	
Can. Pacific	23 1/2	24 1/2	Celanese	35 3/4	36 1/2	Inter. Nickel	81 3/4	81 3/4	
Pennsylvania	12 1/2	13 1/2	Chrysler	43 1/2	44 1/2	Inter. Paper	30 3/4	31 1/4	
Union Pacific	33 1/2	34 1/2	Col. Palmolive	44	43 1/2	Kennecott	84 1/2	85 1/2	
Amer. Electric	66 1/2	67 1/2	Crown Zeller	51 1/2	52 1/2	Monsanto	52	52	
Am. Tel. & Tel.	120 1/2	122 1/2	Distillers Seag.	38 1/2	39 1/2	Nat. Distillers	27 1/2	28	
Cons. Edison	77	76 1/2	Douglas	31	34 1/2	Pan-American	17 1/2	17 1/2	
Int. Tel. & Tel.	53 1/2	55 1/2	Dow Chemical	75 1/2	75 1/2	Procter Gamble	84 1/2	87 1/2	
Standard Gas	5 1/2	5 1/2	Du Pont	218 1/2	218 1/2	Radio Corp.	56 1/2	56 1/2	
United Corp.	8 1/2	8 1/2	East. Kodak	105	103 1/2	Sears Roebuck	67 1/2	68 1/2	
Western Union	42 1/2	43 1/2	Ford Motor	85 1/2	90	Shell Oil	41 1/2	43 1/2	
Alcoa	31 1/2	31 1/2	Gen. Electric	63 1/2	64 1/2	Socony-Mobil	46 1/2	45 1/2	
Aluminum	31 1/2	31 1/2	General Foods	41 1/2	42 1/2	Stand. Oil Ind.	49 1/2	50 1/2	
Amer. Can.	64 1/2	64 1/2	General Motors	45 1/2	47 1/2	Stand. Oil N.J.	43 1/2	44 1/2	
Am. Smelting	56 1/2	56 1/2	Goodyear	42 1/2	43 1/2	Union Carbide	130	133 1/2	
Am. Viscose	56 1/2	56 1/2	Gulf Oil	35 1/2	38 1/2	U.S. Steel	80 1/2	85 1/2	
Anacosta	53 1/2	56 1/2	Heinz	56 1/2	59 1/2	West. Electric	41 1/2	42 1/2	
Beth. Steel	40	43 1/2	Int. Bus. Mach.	464	470	Woolworth	76 1/2	76 1/2	

Standard and Poor's Indices (1941-43=10)									
1961	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %	
June 28	68.40	2.95	31.68	5.10	57.55	3.36	89.75	3.91	
July 12	68.97	2.92	31.91	4.99	58.92	3.28	89.85	3.90	
" 19	68.35	2.95	30.89	5.23	59.03	3.27	89.64	3.92	
" 26	69.61	2.89	31.81	5.08	59.58	3.25	89.96	3.89	

* Ex dividend. † Tax free. ‡ Assumed average life 8 years. § The net redemption yields allow for tax at 7s. 9d. in £. || Ex capitalisation. ¶ Ex rights. ** Ex all. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of ls. 6d. per share. (e) To earliest date. (f) Flat yield. (g) Equivalent to 7 1/2 sterling.

YORK STOCKS

Prices, 1961		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, July 19, 1961	Price, July 26, 1961	Yield, July 26, 1961	Cover	Prices, 1961		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, July 19, 1961	Price, July 26, 1961	Yield, July 26, 1961	Cover
High	Low									High	Low								
FOOD & TOBACCO										MISCELLANEOUS									
34 1/2	17 1/2	10% c	10% c	Allied Suppliers	10 1/2	18 1/2	19 10 1/2	5.03	2 1/2	62 1/2	43 1/2	20 a	60 b	Assoc. British Picture	51 10 1/2	50 6	5.94	2 1/2	
15 1/2	10 1/2	10 a	12 1/2 b	Assoc. British Foods	11 1/2	13 3	13 3	1.70	2 1/2	34 1/2	26 9	20 a	40 b	Assoc. Television 'A'	29 3	33 3	9.02	2	
55 1/2	7 1/2	4 a	8 b	Bovril	56 1/2	63 9	63 9	3.76	2 1/2	51 9	41 1/2	16 a	14 b	Beecham Group	48 6	49 10 1/2	3.01	1 1/2	
14 1/2	8 1/2	14 1/2 b	12 1/2 a	Brooke Bond 'B'	12 1/2	14 1/2	14 1/2	4.14	3 1/2	64 3/4	41 1/2	31 a	63 b	British Match	45 4 1/2	43 9	4.57	2 1/2	
19 1/2	13 1/2	2 1/2 a	10 b	International Tea	14 1/2	14 1/2	14 1/2	4.35	1 1/2	28 1/2	17 6	62 1/2 b	3 a	British Oxygen	21 2 1/2	21 1/2	2.54	2 1/2	
107 1/2	71 1/2	5 a	10 1/2 b	J. Lyons 'A'	10 1/2	27 3	28 3	4.96	2	70 1/2	51 9	7 1/2 a	15 b	British Ropes	52 9	53 9	5.13	2 1/2	
35 1/2	25 1/2	9 a	5 b	Ranks	11 1/2	11 1/2	11 1/2	4.35	2	50 1/2	31 9	6 a	14 b	De La Rue	52 9	53 9	4.19	2	
14 1/2	10 1/2	9 b	3 a	Spillers	5 1/2	11 9	11 6	5.25	2	73 9	53 6	12 b	3 a	Gestetner 'A'	34 1/2	34 1/2	2.94	3 1/2	
20 1/2	16 3/4	9 b	3 a	Tate & Lyle	46 9	48 3	48 3	5.40	2 1/2	55 6	47 6	12 b	3 a	Glaxo	57 6	57 9	2.60	3 1/2	
23 1/2	12 1/2	9 b	3 a	Unigate	17 1/2	18 3	18 3	4.34	1 1/2	57 6	47 6	12 b	3 a	Harrisons & Cr. Delf.	47 6	48 9	6.15	2 1/2	
17 1/2	14 1/2	12 1/2 c	15 1/2 a	Brit. Amer. Tobac.	10 1/2	41 6	41 6	4.82	2	55 6	36 1/2	40 b	5 a	Hoover 'A'	57 6	57 9	6.16	2 1/2	
17 1/2	14 1/2	5 a	15 b	Gallaher	41 6	41 6	41 6	6.57	1 1/2	28 1/2	16 1/2	12 1/2 b	5 a	Ilford	24 3	21 6	4.07	2	
17 1/2	14 1/2	14 b	8 1/2 a	Imperial Tobacco	41 6	68 6	68 6	6.57	1 1/2	107 3	56 3	7 1/4 b	4 a	I.C.T.	87 9	92 9	2.43	2 1/2	
INSURANCE										SHIPPING									
15 1/2	11 1/2	150 a	255 b	Britannic	5 1/2	12 1/2	13 1/2	3.08	...	78 9	57 6	9 3/4 c	12 1/2 c	National Canning	57 6	63 9	3.92	2 1/2	
86 3/4	61 3/4	20 a	25 b	Commercial Union	5 1/2	67 1/2	72 1/2	3 1/2	...	37 3	29 6	10 b	6 a	Powell Duffryn	30 9	31 6	5.08	2 1/2	
32 1/2	17 1/2	141 1/2 c	141 1/2 c	Equity & Law Life	8 1/2	146 3	155 6	1.93	...	30 3/4	24 7 1/2	15 b	5 a	Radio Rentals	26 9	28 1/2	3.57	3	
176 9	103 9	20 a	40 b	General Accident	5 1/2	146 3	155 6	1.93	...	37 6	18 9	12 1/2 c	7 1/2 b	Rank Organisation	37 6	38 1/2	2.95	1 1/2	
60 6	42 7 1/2	20 a	40 b	Guardian	5 1/2	48 9	51 6	2.59**	...	29 3	27 6	20 c	25 c	Sears 'A'	32 1/2	35 1/2	3.57	2 1/2	
39 1/2	27 1/2	80 a	110 b	Legal & General	5 1/2	32 1/2	32 1/2	1.45	...	78 1/2	55 1/2	12 c	4 a	Thomas Tilling	4 25	25 3	3.17	2	
146 1/2	100 1/2	81 a	112 b	Northern & Empl.	5 1/2	131 3	135 6	2.95	...	166 1/2	130 1/2	9 04 1/2 a	15 5 b	Turner & Newall	63 6	67 6	3.56	2 1/2	
272 1/2	156 3/4	120 a	170 b	Pearl	5 1/2	228 9	242 6	3.03	...	115 3/4	81 1/2	8 a	13 b	Unilever	12 1/2	14 1/2	3.48	3 1/2	
182 1/2	140 9	50 a	50 b	Prudential 'A'	4 1/2	161 9	168 6	2.97	...	42 1/2	31 1/2	14 a	10 1/2 b	Unilever 'V'	12 1/2	14 1/2	2.68	3	
129 3/4	104 6	71 a	114 b	Royal	5 1/2	119 6	119 6	3.14	...	42 1/2	31 1/2	14 a	10 1/2 b	United Glass	17 6	18 1/2	4.17	2 1/2	
MOTORS & AIRCRAFT										STEEL									
18 10 1/2	14 1/2	12 1/2 b	7 1/2 a	British Motor	5 1/2	14 1/2	14 2 1/4	7.05	2 1/2	46 3/4	36 1/2	6 1/2 a	13 1/2 b	Brit. & Com'wealth	36 3	38 3	5.23	2	
86 3/4	66 11 1/2	20 a	20 b	Jaguar Cars 'A'	5 1/2	69 6	71 1/2	1.41	7 1/4	20 1/2	15 1/2	8 c	6 b	Cunard	15 3	15 1/2	7.80	1 1/2	
48 1/2	41 10 1/2	21 a	21 c	Rolls-Royce	5 1/2	44 6	45 10 1/2	4.80	2 1/2	24 9	20 9	17 c	7 c	France Fenwick	21 9	21 6	6.51	2 1/2	
10 1/2	6 8 1/2	12 c	12 c	Rolls-Royce Motor 'A'	4 1/2	6 9	7 11 1/2	6.74	5 1/4	50 6	38 9	10 c	10 c	Furness Withy	38 6	40 6	5.01	2 1/2	
52 1/2	15 1/2	15 b	7 1/2 a	A.C.V.	75 1/2	75 1/2	4.26**	2 1/2	...	15 1/2	10 6	7 1/2 a	10 c	General Overseas	11 7 1/2	11 7 1/2	5.85	...	
98 10 1/2	79 1/2	15 b	20 c	Leyland Motors	93 1/2	95 1/2	4.21	...	...	17 9	12 1/2	2 1/2 c	2 1/2 c	Readson & Smith	10 12	13 1/2	1.92	...	
18 1/4	14 1/2	31 a	9 b	Bristol Aeroplane	10 1/2	16 10 1/2	17 6	7.14	2 1/4	25 1/2	13 9	8 c	5 c	Readson & Smith	10 12	13 1/2	1.92	...	
33 3	28 11 1/2	10 a	5 b	Hawker Siddeley	10 1/2	29 7 1/2	30 7	7.07	2 1/4	...	...	...	...	Readson & Smith	10 12	13 1/2	1.92	...	
41 3/4	31 9	14 a	15 1/2 b	Dowty Group	10 1/2	32 9	35 4 1/2	4.38	3	74 10 1/2	54 6	6 a	10 b	Royal Shipyard	14 1/2	14 6	6.90	...	
28 10 1/2	21 6	31 a	12 b	Dunlop Rubber	10 1/2	25 3	25 11 1/2	6.30	2	49 10 1/2	27 6	6 1/2 b	3 1/2 a	Colvilles	56 10 1/2	56 1/2	5.71	4 1/2	
72 1/2	33 3/4	11 1/2 b	2 1/2 a	Joseph Lucas	10 1/2	53 6	55 3	4.98	3	43 7 1/2	33 9	7 1/2 b	3 1/2 a	Dorman Long	29 10 1/2	31 10 1/2	6.27	2 1/2	
33 3/4	20 1/2	9 a	21 c	Pressed Steel	5 1/2	21 9	22 9	6.59	1 1/4	42 1/2	38 1/2	6 1/2 b	3 1/2 a	Lancashire Steel	35 4 1/2	36 3	6.07	2 1/2	
46 3/4	36 1/2	10 c	15 b	Triplex Holdings	10 1/2	38 1/2	37 6	4.00	3	57 1/2	40 10 1/2	15 c	5 a	South Durham	30 4 1/2	30 4 1/2	8.20	2	
MINES										TEXTILES									
168 9	110 1/2	40 a	50 b	Anglo-American	10 1/2	111 6	122 6	7.35	1 1/2	47 1/2	38 1/2	5 a	10 b	Steel Co. of Wales	38 1/2	37 1/2	6.73	2 1/2	
67 3/4	18 1/2	18 1/2 b	6 1/2 a	Consolid. Gold Fields	10 1/2	49 6	55 7 1/2	8.99	2	57 1/2	40 10 1/2	15 c	5 a	Stewarts & Lloyds	45 4 1/2	45 4 1/2	6.61	3 1/2	
108 9	72 1/2	15 a	20 b	General Mining	10 1/2	73 9	83 1/2	8.42	2	68 7 1/2	48 4 1/2	12 b	6 a	John Summers	51 4 1/2	48 4 1/2	6.20	2 1/2	
68 6	40 1/2	40 a	120 b	Iron Corporation	2 1/2	45 6	50 1/2	8.00	3	69 6	48 4 1/2	9 b	6 a	United Steel	52 4 1/2	52 10 1/2	5.90**	3	
25 3/4	15 3/4	40 a	40 b	Daggafontein	5 1/2	16 1/2	18 1/2	22.22	1 1/2	63 6	46 6	8 1/2 b	6 1/2 a	Whitehead	46 6	46 6	6.25	3 1/2	
125 1/2	73 9	100 b	20 b	Free State Geduld	10 1/2	75 7 1/2	80 7 1/2	10.54	1 1/2	...	...	...	...	...	...	...	...	...	
54 3/4	37 1/2	25 a	25 b	Hartbeestfontein	10 1/2	48 11 1/2	51 10 1/2	10.60	1 1/2	42 7 1/2	31 10 1/2	5 a	10 b	English Sewing Cotton	32 4 1/2	32 4 1/2	7.72	1 1/2	
64 6	41 10 1/2	100 a	100 b	President Brand	5 1/2	45 11 1/2	51 10 1/2	10.60	1 1/2	70 4 1/2	52 10 1/2	17 1/2 b	7 1/2 a	Fine Spinning	26 4 1/2	27 6	10.91	2	
17 1/2	10 1/2	110 a	90 a	Western Holdings	5 1/2	108 9	117 6	8.51	1 1/2	47 6	34 1/2	4 1/2 a	5 1/2 b	Lancashire Cotton	54 9	55 3	9.05	1 1/2	
46 1/2	15 9	81 a	81 a	Winkelhaak	10 1/2	18 1/2	19 6	10.54	1 1/2	70 4 1/2	52 10 1/2	17 1/2 b	7 1/2 a	Courtaulds	37 3	38 3	5.26	1 1/2	
46 1/2	15 9	81 a	81 a	Chartered	15 1/2	62 9	64 3	11.67	2	7 1/2	5 10 1/2	9 1/2 b	4 a	Illingworth Morris	6 4 1/2	6 4 1/2	8.37	1 1/2	
43 1/2	51 3	60 b	20 b	Rhod. Anglo-Amer.	10 1/2	54 9	57 3	9.97	2	74 6	63 1/2	13 b	8 a	West Riding Worsteds	63 6	64 1/2	6.67	2	
11 7 1/2	8 3/4	12 1/2 b	4 1/2 a	Royal Selection Tst.	5 1/2	5 1/2	5 1/2	14.25	1 1/2	37 3	29 1/2	7 1/2 b	2 1/2 a	Woolcombers	29 6	29 6	6.90	2	
6 1/2	4 10 1/2	10 1/2 b	4 1/2 a	Ryan Antelope	5 1/2	22 6	24 6	9.41 1/2	1 1/2	66 1/2	15 4 1/2	13 b	8 a	Bradford Dyers	17 4 1/2	16 9	7.16	1 1/2	
81 6	63 1/2	6 1/2 a	13 1/2 b	Tanganyika Cons.	10 1/2	22 6	24 6	9.41 1/2	1 1/2	66 1/2	15 4 1/2	13 b	8 a	Calico Printers	13 1/2	14 3	7.02**	3	
159 4 1/2	110 1/2	100 a	150 b	Consolidated Zinc	10 1/2	63 6	66 6	9.02	1 1/2	55 10 1/2	38 6	3 a	10 b	Coats, Patons & B.	41 1/2	42 1/2	5.93**	3 1/2	
\$155	\$104	\$1 50c	\$1 50c	De Beers Delf. Reg.	5 1/2	123 9	127 6	8.80	1 1/2	13 7 1/2	10 4 1/2	3 a	10 b	Jute Industries	10 1/2	10 6	12.38	3	
22 6	12 10 1/2	7 1/2 a	27 1/2 b	Internat. Nickel	n.p.	150 1/2	\$155	1.73	...	35 3	28 1/2	7 1/2 c	10 c	Total	29 4 1/2	29 4 1/2	6.81	1	
45 1/2	30 1/2	20 c	27 1/2 c	London Tin	n.p.	19 1/2	33 9	7.32**	1 1/2	...	...	...	...	...	...	...	...	...	
88 6	35 6	62 1/2 c	70 c	Rio Tinto	10 1/2	76 1/2	76 1/2	4.61**	...	...	...	...	...	...	...	...	...	...	
OIL										TRUSTS, LAND & PROPERTY									
61 6	46 1/2	13 1/2 a	18 1/2 b	British Petroleum	10 1/2	47 1/2	48 1/2	7.94	2 1/4	70 1/2	52 6	12 1/2 a	25 b	Alliance Trust	55 1/2	55 6	3.38	1 1/4	
49 6	36 3/4	12 1/2 a	16 1/2 b	Burmah Oil	10 1/2	37 1/2	38 1/2	8.28	1 1/4	57 10 1/2	42 6	12 1/2 a	25 b	B.E.T. 'A' Delf.	48 1/2	49 3	5.08	1 1/4	
52 1/2	37 1/2	6 1/2 a	13 1/2 b	Castrol	10 1/2	37 1/2	38 1/2	8.28	1 1/4	20 1/2	12 7 1/2	10 c	10 c	Cable & Wireless	16 6	17 6	2.86	1 1/4	
151 1/2	6 10 1/2	10 23 1/2	13 6 1/2 b	Royal Dutch	20 1/2	121 6	121 6	3.88	2 1/4	65 9	47 1/2	20 c	23 1/2 a	City Centre Props.	52 4 1/2	55 6 1/2	2.28**	3 1/4	
139 1/2	108 9	18 1/2 a	11 1/2 b	Shell Transport	10 1/2	119 1/2	122 9	5.54	3	10 1/2	7 1/2	14 08 1/2 b	18 08 1/2 b	City Lond. Real Prop.	75 3	72 3	3.04	1	
41 3/4	27 9	...	...	Ultramar	10 1/2	28 6	31 1/2	...	...	36 1/2	22 3	2 a	4 a	Hudson's Bay	81 3/2	8 1/2	3.73	1 1/4	
PAPER & NEWSPAPERS										TEA & RUBBER									
14 7 1/2	9 10 1/2	8 b	5 a	Daily Mirror	5 1/2	12 6	12 9	5.88**	1 1/4	70 1/2	52 6	12 1/2 a	25 b	Cons. Tea & Lands	43 6	45 1/2	19.96	1	
91 1/2	61 3/4	4 a	8 b	W. H. Smith & Son 'A'	5 1/2	61													

Money and Exchanges

EXCHEQUER RETURNS

For the week ended July 22, 1961, there was an "above-line" deficit (after allowing for sinking funds) of £5,956,000 compared with a deficit of £5,294,000 in the previous week and a surplus of £6,856,000 in the corresponding period of last year. There was a net receipt "below-line" of £27,922,000 leaving a total cumulative deficit to date of £228,382,000 compared with £312,893,000 in 1960-61.

£'000	Estimate 1961-62	April 1, 1960, to July 23, 1960	April 1, 1961, to July 22, 1961	Week ended July 23, 1960	Week ended July 22, 1961
Ordinary Revenue					
Income Tax	2,728,500	409,398	472,459	28,897	29,630
Surtax	210,000	27,800	33,100	1,000	1,000
Death Duties	240,000	71,100	89,300	3,800	5,000
Stamps	94,000	27,800	34,400	1,600	2,300
Profits tax, EPT and EPL	325,500	71,100	94,400	6,200	5,000
Other Inland Rev. Duties	...	50	...	...	...
Total Inland Rev.	3,598,000	607,248	723,659	41,497	43,130
Customs	1,550,000	457,382	501,484	27,902	34,030
Excise	960,000	238,925	241,325	4,660	7,150
Total Customs and Excise	2,510,000	696,307	742,809	32,562	41,180
Motor Duties	155,000	17,955	22,426	...	77
PO (Net Receipts) Broadcast Lic's Sundry Loans Miscellaneous	40,000 12,000 205,000	6,800 2,087 32,870	8,800 107,490	662 4,732	2,000 35
Total	6,508,000	1,373,207	1,605,184	79,453	87,450
Ordinary Expenditure					
Debt Interest	660,000	186,976	218,684	5,735	7,150
Payments to N. Ireland Excheq. PO Fund — Initial settlement	92,000	23,462	24,042	...	...
Other Consoli- dated Funds	15,000	...	...	...	1
Supply Services	8,000	3,165	3,285	12	1
	5,186,902	1,379,335	1,468,556	66,760	85,788
Total	5,961,902	1,592,958	1,714,567	72,507	92,950
Sinking Funds	40,000	9,164	8,374	90	46
" Above-line " Surplus or Deficit	228,915	117,757	6,856	5,950	5,950
" Below-line " Net Expen- diture"	83,978	110,625	11,071	27,900	27,900
Total Surplus or Deficit	312,893	228,382	17,927	21,950	21,950
Net receipts from :					
Tax Reserve Certificates	69,604	60,829	4,424	50	50
Savings Certificates	27,100	4,300	1,400	1,400	1,400
Defence Bonds	36,364	20,244	2,284	4,400	4,400
Premium Savings Bonds	12,670	13,650	390	390	390
Total	145,738	90,423	3,650	5,140	5,140

* Net issue of the Civil Contingencies Fund of £23 million in 1961-62 compared with a net issue of £28 million in 1960-61.

FLOATING DEBT

(£ million)

	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Dept.	Bank of England	
1960					
July 23	3,450.0	1,856.1	207.3	0.3	5,513.6
1961					
Apr. 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	...	5,328.3
" 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	...	5,323.3
" 10	3,270.0	1,827.6	242.2	...	5,339.6
" 17	3,280.0	1,823.6	263.9	...	5,367.7
" 24	3,290.0	1,909.6	201.6	...	5,365.5
" 30	3,290.0		283.3	...	5,468.3
July 8	3,280.0	1,853.1	265.2	0.8	5,399.9
" 15	3,270.0	1,866.0	269.0	...	5,405.5
" 22	3,260.0	1,894.4	214.3	...	5,368.8

THE MONEY MARKET

THE rise of 2 per cent in Bank rate to 7 per cent on Tuesday left a longer than usual gap before the next Treasury bill tender. The market referred back to September, 1957, for a rough guide in fixing rates. On that occasion the 7 per cent Bank rate was followed by a rise from $4\frac{1}{4}$ to $6\frac{1}{2}$ per cent in the Treasury bill rate. On Wednesday three month trade bills rose to $7\frac{1}{2}$ -8 per cent, an increase of 2 per cent, and bank bills of a similar maturity rose to $6\frac{1}{4}$ - $6\frac{1}{2}$ per cent.

At the Treasury bill tender on the Friday before the change in Bank rate the discount market again made no real attempt to anticipate a possible change in Bank rate, although the syndicate did lower its bid by 3d. to £98 16s. 11d., and the average rate of discount rose by just under $\frac{1}{16}$ per cent to $4\frac{1}{8}$ per cent. Outside bidders kept out of the tender, and total applications fell by £45 million to £333 million. In these circumstances the market allotment rose from 47 per cent to 66 per cent. Credit was tight on the Monday and Tuesday before the Bank rate change and on Wednesday one or two houses borrowed small amounts from the Bank at 7 per cent.

MONEY RATES

LONDON

Bank rate (from	%	Discount rates:	%
5%, 26/7/61).....	7	Bank bills:	
		60 days	614-634
Deposit rates		3 months	614-634
(maximum):		4 months	614-634
Banks	5	6 months	614-634
Discount houses...	5-514	Fine trade bills:	
		3 months	712-8
Money:		4 months	712-8
Day-to-Day	538-578	6 months	724-812

NEW YORK

Official Discount	%	Treasury bills:	%
rate:		July 17.....	2.200
(from 3½%, 11/8/60)	3	„ 24.....	2.244

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

Effective Limits		Market Rates: Spot						
	July 26	July 20	July 21	July 22	July 24	July 25	July 26	
United States \$	2-78-2-82*	2-78 ¹⁶ / ₁₆ -9 ¹⁶ / ₁₆	2-78 ¹⁶ / ₁₆ -9 ¹⁶ / ₁₆	2-78 ¹⁶ / ₁₆ -9 ¹⁶ / ₁₆	2-78 ¹⁶ / ₁₆ -9 ¹⁶ / ₁₆	2-78 ¹⁶ / ₁₆ -9 ¹⁶ / ₁₆	2-79 ¹⁶ / ₁₆ -9 ¹⁶ / ₁₆	
Canadian \$	13-622-14-027	2-87 ¹⁶ / ₁₆ -11 ¹⁶ / ₁₆	2-87 ¹⁶ / ₁₆ -11 ¹⁶ / ₁₆	2-87 ¹⁶ / ₁₆ -11 ¹⁶ / ₁₆	2-87 ¹⁶ / ₁₆ -11 ¹⁶ / ₁₆	2-87 ¹⁶ / ₁₆ -11 ¹⁶ / ₁₆	2-88 ¹⁶ / ₁₆ -11 ¹⁶ / ₁₆	
French Fr.	11-94-12-54 ⁸ / ₈	13-64 ¹⁶ / ₁₆ -1 ¹⁶ / ₁₆	13-64 ¹⁶ / ₁₆ -1 ¹⁶ / ₁₆	13-64 ¹⁶ / ₁₆ -1 ¹⁶ / ₁₆	13-64 ¹⁶ / ₁₆ -1 ¹⁶ / ₁₆	13-65-66 ¹⁶ / ₁₆	13-68 ¹⁶ / ₁₆ -73 ¹⁶ / ₁₆	
Swiss Fr.	137-96-	12-01 ¹⁶ / ₁₆ -8 ¹⁶ / ₁₆	12-01 ¹⁶ / ₁₆ -8 ¹⁶ / ₁₆	12-01 ¹⁶ / ₁₆ -8 ¹⁶ / ₁₆	12-01 ¹⁶ / ₁₆ -8 ¹⁶ / ₁₆	12-03 ¹⁶ / ₁₆ -04 ¹⁶ / ₁₆	12-05 ¹⁶ / ₁₆ -13 ¹⁶ / ₁₆	
Belgian Fr.	142-05	138-57 ¹⁶ / ₁₆ -1 ¹⁶ / ₁₆	138-57 ¹⁶ / ₁₆ -1 ¹⁶ / ₁₆	138-55 ¹⁶ / ₁₆ -60 ¹⁶ / ₁₆	138-57 ¹⁶ / ₁₆ -62 ¹⁶ / ₁₆	139-75-	139-05 ¹⁶ / ₁₆ -15 ¹⁶ / ₁₆	
Dutch Gld.	9-98 ¹⁶ / ₁₆ -10-28 ¹⁶ / ₁₆	10-00 ¹⁶ / ₁₆ -1 ¹⁶ / ₁₆	10-00 ¹⁶ / ₁₆ -1 ¹⁶ / ₁₆	10-00 ¹⁶ / ₁₆ -8 ¹⁶ / ₁₆	10-00 ¹⁶ / ₁₆ -7 ¹⁶ / ₁₆	10-01 ¹⁶ / ₁₆ -9 ¹⁶ / ₁₆	10-03 ¹⁶ / ₁₆ -04 ¹⁶ / ₁₆	
W. Ger. D-Mk.	11-037-11-365	11-07 ¹⁶ / ₁₆ -8 ¹⁶ / ₁₆	11-07 ¹⁶ / ₁₆ -8 ¹⁶ / ₁₆	11-07 ¹⁶ / ₁₆ -8 ¹⁶ / ₁₆	11-08 ¹⁶ / ₁₆ -8 ¹⁶ / ₁₆	11-09 ¹⁶ / ₁₆ -10 ¹⁶ / ₁₆	11-11 ¹⁶ / ₁₆ -12 ¹⁶ / ₁₆	
Portug. Esc.	1725-1775	80-10-25	80-10-25	80-10-25	80-10-25	80-10-25	80-10-25	
Italian Lire	14-271-14-70	1727 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆	1727 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆	1727 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆	1728-28 ¹⁶ / ₁₆	1730-31	1732 ¹⁶ / ₁₆ -33	
Swedish Kr.	19-061-19-62	14-36 ¹⁶ / ₁₆ -3 ¹⁶ / ₁₆	14-36 ¹⁶ / ₁₆ -3 ¹⁶ / ₁₆	14-36-36 ¹⁶ / ₁₆	14-36-1 ¹⁶ / ₁₆	14-38 ¹⁶ / ₁₆ -39 ¹⁶ / ₁₆	14-40 ¹⁶ / ₁₆ -41 ¹⁶ / ₁₆	
Danish Kr.	19-30 ¹⁶ / ₁₆ -31 ¹⁶ / ₁₆	19-30 ¹⁶ / ₁₆ -31 ¹⁶ / ₁₆	19-30 ¹⁶ / ₁₆ -31 ¹⁶ / ₁₆	19-30 ¹⁶ / ₁₆ -34 ¹⁶ / ₁₆	19-30 ¹⁶ / ₁₆ -34 ¹⁶ / ₁₆	19-30 ¹⁶ / ₁₆ -31 ¹⁶ / ₁₆	19-31 ¹⁶ / ₁₆ -32 ¹⁶ / ₁₆	
Norwegian Kr.	19-97 ¹⁶ / ₁₆ -20-30 ¹⁶ / ₁₆	19-97 ¹⁶ / ₁₆ -20-30 ¹⁶ / ₁₆	19-97 ¹⁶ / ₁₆ -20-30 ¹⁶ / ₁₆	19-97 ¹⁶ / ₁₆ -8 ¹⁶ / ₁₆	19-97 ¹⁶ / ₁₆ -12 ¹⁶ / ₁₆	19-97 ¹⁶ / ₁₆ -14 ¹⁶ / ₁₆	19-99-99 ¹⁶ / ₁₆	
* Official Limits								
One Month Forward Rates								
United States \$	13 ¹⁶ / ₁₆ -11 ¹⁶ / ₁₆ c. pm	3 ¹⁶ / ₁₆ -5 ¹⁶ / ₁₆ c. pm	3 ¹⁶ / ₁₆ -5 ¹⁶ / ₁₆ c. pm	3 ¹⁶ / ₁₆ -5 ¹⁶ / ₁₆ c. pm	3 ¹⁶ / ₁₆ -5 ¹⁶ / ₁₆ c. pm	3 ¹⁶ / ₁₆ -5 ¹⁶ / ₁₆ c. pm	3 ¹⁶ / ₁₆ -5 ¹⁶ / ₁₆ c. pm	
Canadian \$	13 ¹⁶ / ₁₆ -11 ¹⁶ / ₁₆ c. pm	3 ¹⁶ / ₁₆ -5 ¹⁶ / ₁₆ c. pm	3 ¹⁶ / ₁₆ -5 ¹⁶ / ₁₆ c. pm	3 ¹⁶ / ₁₆ -5 ¹⁶ / ₁₆ c. pm	3 ¹⁶ / ₁₆ -5 ¹⁶ / ₁₆ c. pm	3 ¹⁶ / ₁₆ -5 ¹⁶ / ₁₆ c. pm	3 ¹⁶ / ₁₆ -5 ¹⁶ / ₁₆ c. pm	
French Fr.	31 ¹⁶ / ₁₆ -3 ¹⁶ / ₁₆ c. pm	31 ¹⁶ / ₁₆ -23 ¹⁶ / ₁₆ c. pm	31 ¹⁶ / ₁₆ -23 ¹⁶ / ₁₆ c. pm	31 ¹⁶ / ₁₆ -23 ¹⁶ / ₁₆ c. pm	31 ¹⁶ / ₁₆ -23 ¹⁶ / ₁₆ c. pm	31 ¹⁶ / ₁₆ -23 ¹⁶ / ₁₆ c. pm	31 ¹⁶ / ₁₆ -23 ¹⁶ / ₁₆ c. pm	
Swiss Fr.	5-41 ¹⁶ / ₁₆ c. pm	5-41 ¹⁶ / ₁₆ c. pm	5-41 ¹⁶ / ₁₆ c. pm	5-41 ¹⁶ / ₁₆ c. pm	5-41 ¹⁶ / ₁₆ c. pm	5-41 ¹⁶ / ₁₆ c. pm	5-41 ¹⁶ / ₁₆ c. pm	
Belgian Fr.	35-25 ¹⁶ / ₁₆ c. pm	35-25 ¹⁶ / ₁₆ c. pm	35-25 ¹⁶ / ₁₆ c. pm	35-25 ¹⁶ / ₁₆ c. pm	35-25 ¹⁶ / ₁₆ c. pm	35-25 ¹⁶ / ₁₆ c. pm	35-25 ¹⁶ / ₁₆ c. pm	
Dutch Gld.	5-41 ¹⁶ / ₁₆ c. pm	41 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆ c. pm	41 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆ c. pm	41 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆ c. pm	41 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆ c. pm	41 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆ c. pm	41 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆ c. pm	
W. German D-Mk.	51 ¹⁶ / ₁₆ -43 ¹⁶ / ₁₆ pf. pm	41 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆ pf. pm	41 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆ pf. pm	41 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆ pf. pm	41 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆ pf. pm	41 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆ pf. pm	41 ¹⁶ / ₁₆ -4 ¹⁶ / ₁₆ pf. pm	
Three Months Forward Rates								
United States \$	21 ¹⁶ / ₁₆ -21 ¹⁶ / ₁₆ c. pm	21 ¹⁶ / ₁₆ -2 ¹⁶ / ₁₆ c. pm	21 ¹⁶ / ₁₆ -2 ¹⁶ / ₁₆ c. pm	21 ¹⁶ / ₁₆ -2 ¹⁶ / ₁₆ c. pm	21 ¹⁶ / ₁₆ -2 ¹⁶ / ₁₆ c. pm	21 ¹⁶ / ₁₆ -2 ¹⁶ / ₁₆ c. pm	21 ¹⁶ / ₁₆ -2 ¹⁶ / ₁₆ c. pm	
Canadian \$	21 ¹⁶ / ₁₆ -2 ¹⁶ / ₁₆ c. pm	21 ¹⁶ / ₁₆ -2 ¹⁶ / ₁₆ c. pm	21 ¹⁶ / ₁₆ -11 ¹⁶ / ₁₆ c. pm	21 ¹⁶ / ₁₆ -11 ¹⁶ / ₁₆ c. pm	21 ¹⁶ / ₁₆ -11 ¹⁶ / ₁₆ c. pm	21 ¹⁶ / ₁₆ -11 ¹⁶ / ₁₆ c. pm	21 ¹⁶ / ₁₆ -11 ¹⁶ / ₁₆ c. pm	
Swiss Fr.	15-141 ¹⁶ / ₁₆ c. pm	15-141 ¹⁶ / ₁₆ c. pm	15-141 ¹⁶ / ₁₆ c. pm	15-141 ¹⁶ / ₁₆ c. pm	141 ¹⁶ / ₁₆ -131 ¹⁶ / ₁₆ c. pm	16-15 ¹⁶ / ₁₆ c. pm	161 ¹⁶ / ₁₆ -151 ¹⁶ / ₁₆ c. pm	
W. German D-Mk.	14-131 ¹⁶ / ₁₆ pf. pm	131 ¹⁶ / ₁₆ -131 ¹⁶ / ₁₆ pf. pm	131 ¹⁶ / ₁₆ -131 ¹⁶ / ₁₆ pf. pm	131 ¹⁶ / ₁₆ -131 ¹⁶ / ₁₆ pf. pm	131 ¹⁶ / ₁₆ -131 ¹⁶ / ₁₆ pf. pm	16-141 ¹⁶ / ₁₆ pf. pm	161 ¹⁶ / ₁₆ -141 ¹⁶ / ₁₆ pf. pm	
Gold Price at Fixing								
Price (s. d. per fin oz.)	252/3	252/4 1/2	...	...	252/31 1/2	252/21 1/4	251/19 1/4	
(\$)	35-131 1/4	35-131 1/2	...	...	35-131 1/2	35-131 1/4	35-131 1/4	

BANK OF ENGLAND RETURNS

(£ million)	July 27, 1960	July 19, 1961	July 26, 1961
<i>Issue Department :</i>			
Notes in circulation	2,319.2	2,364.9	2,400.2
Notes in banking deposit	31.2	60.5	25.1
Govt. debt and securities*	2,347.5	2,423.7	2,423.8
Other securities	0.7	0.8	0.7
Gold coin and bullion	0.4	0.4	0.4
Coin other than gold coin	1.8	0.5	0.5
<i>Banking Department :</i>			
Deposits :			
Public accounts	10.5	15.7	12.4
Special deposits	117.9	155.2	155.2
Bankers'	226.4	254.7	258.3
Others	68.4	76.4	77.9
Total	423.4	502.0	503.8
<i>Securities :</i>			
Government	423.3	405.8	429.7
Discounts and advances	43.5	35.0	48.3
Other	18.8	18.0	18.0
Total	409.5	458.9	496.0
Banking department reserve ..	32.1	61.4	26.0
"Proportion"	% 7.5	% 12.2	% 5.1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,425 million on July 27th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million)		Three Months' Bills		
	Offered	Applied for	Average Rate of Allotment		Allotted at Max. Rate*
1960					
July 22	91 day 250 0	419.7	s. 109	d. 9-27	% 43
1961					
Apr. 21	260 0†	411.3	89	9.01	38
" 28	220 0	379.8	88	1.71	67
May 5	240 0	416.2	87	4.27	49
" 12	250 0	445.8	86	5.04	50
" 19	260 0	432.5	88	3.18	33
" 26	270 0	440.2	88	8.74	50
June 2	270 0	419.9	88	9.61	61
" 9	270 0†	463.3	89	4.14	39
" 16	260 0	391.2	90	0.42	55
" 23	260 0†	389.1	90	8.87	50
" 30	250 0	400.8	90	8.94	46
July 7	240 0	405.2	90	8.80	42
" 14	240 0	378.2	91	4.47	47
" 21	240 0	333.3	92	5.62	66

* On July 21st tenders for 91 day bills at £98 16s. 11d. secured 66 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.

Prices and Wages

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

BRITISH

Prices and Wages.....	This week	External Trade	July	1st
Manpower and Output....	July 22nd	Industrial Profits.....	July	15th

OVERSEAS

Western Europe..... June 10th United States..... July 8th

WORLD PRICES
Commodity Price Indicator⁽⁶⁾

[illegible]

BRITISH WHOLESALE
PRICES

Materials used in :		1954=100	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
All manufacturing industries	..	100.8	101.7	101.8	102.6	102.5	102.3	100.7	100.9	101.4	101.5	101.1			
Mechanical engineering	..	123.5	124.5	126.2	126.5	126.7	126.7	127.0	127.7	127.8	128.3	128.3			
Electrical machinery	..	114.5	115.6	116.9	117.1	117.0	117.0	116.9	117.3	117.5	118.3	118.3			
Building and civil engineering	..	114.2	113.4	115.1	114.6	114.7	115.0	116.8	117.3	117.4	117.7	117.8			
House building	..	111.9	111.0	114.0	113.2	113.3	113.9	116.6	117.2	117.3	117.5	117.6			
Products of :															
All manufacturing industries	..	111.1	111.5	113.0	112.5	113.0	113.2	114.6	115.1	115.2	115.4	115.5			
Chemicals and allied trades	..	105.6	106.6	106.0	106.5	106.5	106.2	105.3	105.4	105.4	105.4	105.2			
Iron and steel	..	129.9	129.0	128.3	128.3	128.3	128.9	128.9	129.0	129.0	129.4	129.4			
Textile industry	..	97.9	96.0	100.8	100.1	100.7	100.8	103.8	104.4	104.3	104.6	104.2			
Food manufacturing	..	104.9	106.9	106.9	106.1	106.4	106.6	106.4	106.4	107.1	107.6	107.3			
Commodities :															
Cotton, raw (?)	..	76.8	68.6	75.0	72.8	75.3	76.1	75.8	75.9	75.5	75.0	74.9			
Wool, raw	..	72.4	76.6	76.3	82.5	79.3	78.9	74.2	74.4	78.3	80.5	80.5			
Rubber, No. 1 RSS, one month future	..	118.2	148.1	158.0	173.7	182.1	180.4	118.0	125.1	128.4	131.1	124.2			
Softwood, imported	..	102.1	95.4	104.9	103.2	103.7	106.6	107.3	107.5	107.3	107.3	107.6			
Copper, ex-warehouse	..	79.4	95.6	99.0	105.5	99.9	100.9	90.0	90.6	92.2	97.5	95.1			

UK RETAIL PRICES

All items (1).....	1956=100	109.0	109.6	110.7	110.3	110.3	110.9	112.3	112.7	113.3	113.6	114.6
Food	"	107.1	108.2	107.4	106.6	107.3	108.9	107.5	107.4	108.0	109.5	111.4
All items	1938=100	271	273	276	275	275	276	280	281	282	283	285
Food	"	282	285	282	280	282	286	283	284	286	288	293
Housing	"	172	180	186	166	186	186	190	193	193	194	194
Clothing	"	269	268	271	271	271	271	274	275	275	275	275
Fuel and light	"	281	284	291	295	279	279	313	313	313	300	302
Household durable goods	"	307	300	300	297	298	298	303	303	304	304	305
Drink	"	276	261	256	256	256	256	257	257	257	257	258
Tobacco	"	428	428	444	449	449	449	449	449	449	449	454
Purchasing power of £ (based on all consumer spending).....	1938=100	35.9	35.7	35.4	35.6	35.6	35.5	34.9	34.8	34.6	34.5	34.2

UK TERMS OF TRADE

Table 1. Terms of trade, 1954-1968											
	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Import prices:											
All items	1054=100	99	98	99	99	99	98	97	97	98	99
Food, drink and tobacco	"	97	98	97	95	95	95	94	95	96	95
Basic materials	"	96	93	96	98	98	98	94	94	95	97
Fuels	"	112	104	98	100	100	97	96	96	97	96
Manufactured goods	"	101	104	107	108	108	106	107	107	108	109
Export prices:											
All items	"	110	109	111	112	111	111	112	112	112	112
All manufactures	"	111	111	114	114	113	113	115	115	115	115
Metals	"	118	115	118	119	119	118	119	118	118	117
Engineering products	"	115	117	120	121	120	121	122	121	121	120
Textiles (excluding clothing)	"	101	98	102	99	102	101	107	106	107	107
Terms of trade:											
Ratio of import to export prices	"	90	90	89	88	89	88	87	87	88	88

SHIPPING FREIGHTS (8)

air shipping freights.....	1960=100	90.4	96.9	100.0	105.4	102.8	95.6	106.0	103.2	106.9	111.3	108.7
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UK WAGES

Weekly wage rates :	Jan. 31,											
All workers (3).....	1956=100	114-0	117-0	120-0	119-6	119-9	119-9	123-7	123-9	124-2	124-5	125-0
Men.....	"	113-8	116-8	119-7	119-4	119-6	119-6	123-4	123-6	123-9	124-1	124-5
Women.....	"	114-0	117-0	120-8	120-4	120-7	120-7	123-6	124-0	124-2	124-8	125-6
Juveniles (4)	"	115-8	119-0	123-2	121-8	122-0	122-0	128-8	129-0	129-2	129-8	130-6
	Sept.,											
All workers.....	1939=100	296	304	317	311	311	311	321	322	323	324	325
Weekly earnings (5) :												
Men.....	s. d.	256 8	271 1	290 8	282 1	....	....	....	....	301 4	....	....
Women (full time).....	"	134 1	140 11	148 4	145 0	....	....	....	....	152 7	....	....
Youths (4).....	"	112 0	117 6	130 0	123 1	....	....	....	....	135 9	....	....
Girls (4).....	"	86 9	90 10	96 10	93 1	....	....	....	....	99 1	....	....
	Oct.,											
Men.....	1938=100	372	393	421	409	....	....	....	....	437	....	....
Women (full time).....	"	412	432	456	446	....	....	....	....	470	....	....

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1.534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1.561. (4) In general males under 21 and females under 18 years of age. (5) Surveys made twice a year; annual figures relate to October survey. (6) Index revised and rebased on 1958=100 (see *The Economist*, January 7, 1961, page 59). (7) Revised series. (8) The series has been revised by the Chamber of Shipping to reflect a more up-to-date pattern of tramp shipping movements and uses the average freights in 1960 as the basis of comparison; 1958 and 1959 figures on the old basis of 1952=100 have been linked to 1960=100 by multiplying by 1.348, freights in 1960 being considerably lower than they were in 1952.

Senior Commercial Executive

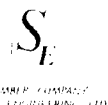
Turbine Gears Limited, a company specialising in the design and sale of gears and gear units of all kinds, wish to recruit a first-class Commercial Executive who will be directly responsible to the Managing Director.

Applicants, aged 30-40, should have had experience in the sale of capital goods including dealing with customers and staff, estimating, budgetary and cost control, and the co-ordination of production problems. A sound engineering background would be an advantage.

This is an important post offering every opportunity for advancement with a member company of the progressive and fast-growing Simon Engineering Limited at their Cheadle Heath headquarters. A first-class salary will be offered to the right man. Excellent conditions and pension scheme.

Please write, giving full career details and quoting reference HS.51 C, to: The Chief Personnel Officer, HENRY SIMON (HOLDINGS) LTD., Cheadle Heath, Stockport, Cheshire.

Turbine Gears LTD



UNESTABLISHED DISTRICT COMMISSIONERS

NATIONAL SAVINGS COMMITTEE. Several vacancies, mainly in the Provinces, for men or women with knowledge of economics, organising ability, preferably with experience of public speaking and voluntary organisations. University education desirable. National salary £775, age 25 and over to £1,430. Possible establishment later. Application forms from Manager (PL 1847), Ministry of Labour, Professional & Executive Register, Atlantic House, Farringdon Street, London, E.C.4. Closing date for completed application forms, Friday, August 18, 1961.

ROAD RESEARCH LABORATORY (H.S.N.R.). Harmondsworth, Middlesex, requires Civil Engineers, Physicists, Mathematicians, Statisticians in the Senior Scientific and Scientific Officer grades for work in the Tropical Section. Duties concern problems of road building and road transport in tropical and sub-tropical areas, involving soil mechanics, traffic engineering, and economics studies. Section is based at Harmondsworth and work involves regular visits overseas with, in some instances, postings for periods of one or two years on specific projects: usual Foreign Service Allowances apply. Qualifications: 1st or 2nd Class Honours degree. For S.S.O. some years of appropriate post-graduate research is required. Salary—within range—S.O. £773-£1,267; S.S.O. £1,392-£1,714. Prospects of promotion to Principal Scientific Officer (range up to £2,478) with possibility of higher posts. Laboratory is expected to move to Crowthorne, Near Bracknell, Berkshire, in 1964-4. Application Form and further information from Director of Road Research (address above) quoting ROAD 85XW.

BP has a vacancy for a male SENIOR MARKET RESEARCH ASSISTANT aged 35-40 to work in London Head Office. A graduate in Economics, Statistics or Mathematics is required. He must have at least five years' experience in the supervision of Market Surveys and the interpretation of results with an Advertising Agency, Market Research Agency or Commercial Organisation. A knowledge of French and German would be useful. Some travel abroad is involved. Part of the duties will be the co-ordination of market research activities throughout the BP Group. Salary according to qualifications and experience. Non-contributory Pension Scheme—Write giving full particulars, quoting reference H.5568, to Box 6760 c/o Hanway House, Clark's Place, E.C.2.

For further appointments and other classified advertisements see page 500

BBC requires Trainees for posts in News and Current Affairs covering Sound and Television News and Sound Current Affairs departments. Candidates must have writing ability and be able to show keen interest in current affairs. After a training period trainees will be able to compete for posts as sub-editors, script-writers, reporters, or producers, in London or the Regions. Candidates with a strong preference for Regional work should say so. Progress is possible, in competition, to senior editorial/production posts. Training salary, according to qualifications, not less than £1,060 p.a. Requests for application forms (enclosing addressed envelope and quoting reference 61 G.429) should reach Appointments Officer, Broadcasting House, London, W.1, within five days.

HEINZ

MARKET ANALYST

An Economist, aged 24-28, is required to study sales, market research, test market results and other data and to provide an efficient market intelligence service to senior executives of the Company.

A graduate in Economics or Statistics would be preferred but the really essential qualifications are an enquiring mind and at least two years' practical experience in the consumer goods field.

This appointment carries excellent conditions of employment and a good commencing salary which will be progressive on a personal merit basis.

Applications detailing qualifications and briefly outlining experience to date should be addressed

The Personnel Officer,
H. J. Heinz Company Limited,
Waxlow Road, Harlesden,
London, N.W.10.

MARKETING RESEARCH



What do people think of a product? How and why do people's preferences and buying habits change? How much should be spent on consumer advertising, and how much on retail promotion? Is direct mail a useful promotion method, or is it wasteful?

The Marketing Research Section of British Nylon Spinners (located in modern offices in Knightsbridge) is trying to answer these questions and others like them. The Company makes yarn only, not cloth or clothes, and problems arise at every stage in the clothing production and distribution industries. A large continuous programme of research is already in operation (much of it pioneering in nature). This is now being expanded, and the central planning unit of the Section needs strengthening.

We are looking for graduates (preferably Economists, Sociologists or Psychologists) to take part in this interesting work. Applications from men or women, aged not more than thirty, should be addressed to The Personnel Manager.

British Nylon Spinners Limited,
PONTYPOOL, MONMOUTHSHIRE,
and should quote ref. M/12.

ECONOMIST/STATISTICIAN

Applications are invited from Honorary Graduates for the appointment of Economist/Statistician with the Committee for Scotland and Northern Ireland of the White Fish Authority. Generally the duties are to undertake economic surveys and research covering the various sections of the fishing industry and to maintain and analyse fishery statistics. Applications should be made on the prescribed form. Intending applicants may obtain further particulars regarding duties and conditions of service and the form of application from the Secretary/Solicitor, Committee for Scotland and Northern Ireland, 5 Forrester Street, Edinburgh.

QUEEN ELIZABETH COLLEGE

(UNIVERSITY OF LONDON)
CAMPDEN HILL ROAD, LONDON, W.8.
DEPARTMENT OF NUTRITION for an investigation of social factors affecting nutrition. The duties may include some teaching for B.Sc. (Nutrition) course. Salary in the range £1,110—£1,460. Applications to the Secretary by August 18th.

WRITER INTERESTED IN FINANCE

Excellent salary for writing and editing prospectuses, bi-annual reports, leaflets, etc., within a company responsible for large investments. You must be able to write clearly, concisely and persuasively.—Box 1534.

UNIVERSITY OF DURHAM

CHAIR OF STATISTICS

Applications are invited for the Chair of Statistics in the Newcastle Division of the University. This is a newly established post and the candidate selected will be expected to take up the appointment on January 1, 1962, or such other date as may be arranged. Salary in accordance with the Professional scale £2,600-£3,000 a year with family allowance and membership of F.R.S.S.U.—Further particulars may be obtained from the undersigned, with whom applications (12 copies) must be lodged not later than September 25, 1961. (Candidates outside the British Isles may submit one copy only.)

Registrar, Durham University Office, 14, Kensington Terrace, Newcastle upon Tyne, 2, July 12, 1961.

UNIVERSITY OF CANTERBURY

LECTURER IN ACCOUNTANCY

Applications are invited for the above-mentioned position in the Department of Accountancy. University training, teaching experience and practical experience in at least one major field of accounting are desirable qualifications. The salary range is £1,250 to £1,700 per annum. The annual increment within the range is £75 and the initial salary will depend on qualifications and experience.

Approved fares to Christchurch will be allowed for an appointee, his wife and child. In addition, actual removal expenses will be allowed within certain limits. Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, Marlborough House, Pall Mall, London, S.W.1. Applications close in New Zealand and London on August 31, 1961.

CHIEF ACCOUNTANT—BRAZIL

A Qualified Accountant of wide experience, age 35-45, is required in Sao Paulo for the Brazilian Subsidiary of Reckitt & Colman Holdings Limited—a large British Group with world-wide interests.

Recent experience in Brazil, a thorough knowledge of the Portuguese language and of local legal and tax requirements, are essential. The emphasis will be on finance and management accounting.

This is a senior position, which carries excellent salary, home leave, car, pension fund and other benefits.

Resumes to The Secretary, 160 Dansom Lane, Hull, E. Yorks.



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