

The Economist
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The Economist

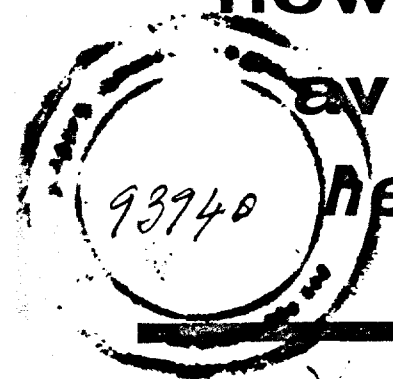
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Dr. E. C. Clin

pages 687 and 711

WORLD OIL IN TRANSITION pages 723 to 729

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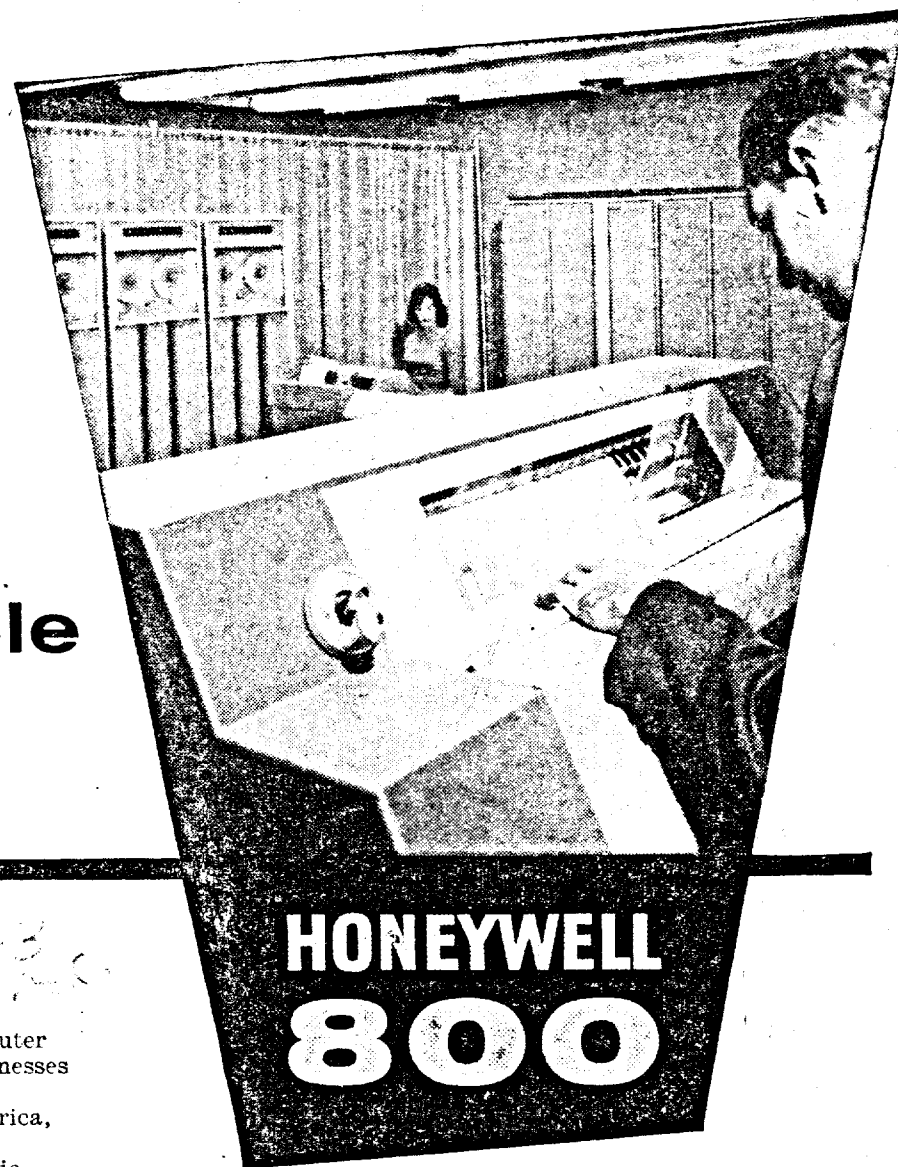
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THE ECONOMIST THE WEEK

August 19, 1961

INTERNATIONAL

Drang nach Westen

The West cannot avoid dealing with east Germany. Its boycott policy is not fruitful; instead the West should use its (severely limited) influence against the intransigent hostility that now prevails and work for a more temperate east German regime (p. 687). For Herr Ulbricht last Sunday's systematic closure of all doors between east and west Berlin had a defensive character; to Berliners it looked like an attack (p. 711). Sturm und Drang—p. 693.

Zollverein

France has many answers to Britain's many questions about joining the common market (p. 714).

United States: The European common market is expected to stimulate both American exports and American investments abroad (p. 706).

African countries are talking about forming their own Zollvereine (p. 699).

Untergang des Abendlandes

Cairo: President Nasser's revolutionary energy has been recharged and redirected to the problems of social change in his own country. This should not upset the West as much as it has upset the Communists (p. 690).

New York: Britain and America should say at the United Nations

on Monday that France ought to discuss the eventual evacuation of the Bizerta base (p. 694).

Salisbury: Black men and white women will soon be legally allowed to get together. Dr Banda still wants to part company with the federation (p. 695).

Dr Banda's victory—p. 713.

Nairobi: The men near the top in Kenya are fighting for position around the newly-free man right at the top, Mr Jomo Kenyatta (p. 712).

Wo die Zitronen blueh'n

• The United States answer to Castroism, as revealed at Punta del Este during the past fortnight, is "controlled revolution" in Latin America (p. 705).

• The pocket-sized revolution that failed in Argentina on August 12th is a reminder of the tender youth of parliamentary government in many of the countries represented at Punta del Este (p. 699).

• President Kennedy's foreign aid programme has been attacked by a Blitzkrieg, but may survive (p. 707).

Tochter aus Elysium

• The eastern seaboard of the United States has a new, much-needed national park (p. 710).

• American students are studying abroad in ever-increasing numbers, under the auspices of their own colleges (p. 708).



pages 723 to 729

HOME

JOINING UP

Gas: the case for a national board to develop new processes (p. 731).

Housing Associations: the prospect of government loans could be a boon for the middle classes (p. 691).

Churches: Roman Catholics in Britain extend a hand of friendship to other denominations (p. 696).

Europe: resistance movements are mobilising inside the Tory and Labour parties (p. 694).

Consumer Goods: soap, shoes, shops and take-overs (p. 740).

Dr Beeching's talent hunt has unearthed three well-paid recruits for British Railways (p. 734).

CUTTING DOWN

The trade unions are lining up for an attack on the Chancellor's wage pause (p. 693).

The Treasury's ban on some foreign investments makes little sense (p. 733).

The collapse of Overseas Aviation Ltd. has made other small airlines watch their credit rating (p. 736).

A profitless contract for a profitless ship could be Cunard's contribution to North Atlantic prestige (p. 738).

BREAKING THROUGH

Overseas trade is back in the black—July's figures produce a true balance on the right side (p. 735).

Retail trade reacted gaily to the Chancellor's threats of financial stringency (p. 738).

Prisoners are to pass their time in jail more profitably, for themselves and for the economy (p. 698).

Industrial output—an increase observed (p. 734).

WORKING OUT

Rating valuation: Scottish experience gives some hints for the English operation in two years' time (p. 689).

Problem children: the rise in delinquency is matched by a fall in those in official care, as the value of the family becomes more fully recognised (p. 698).

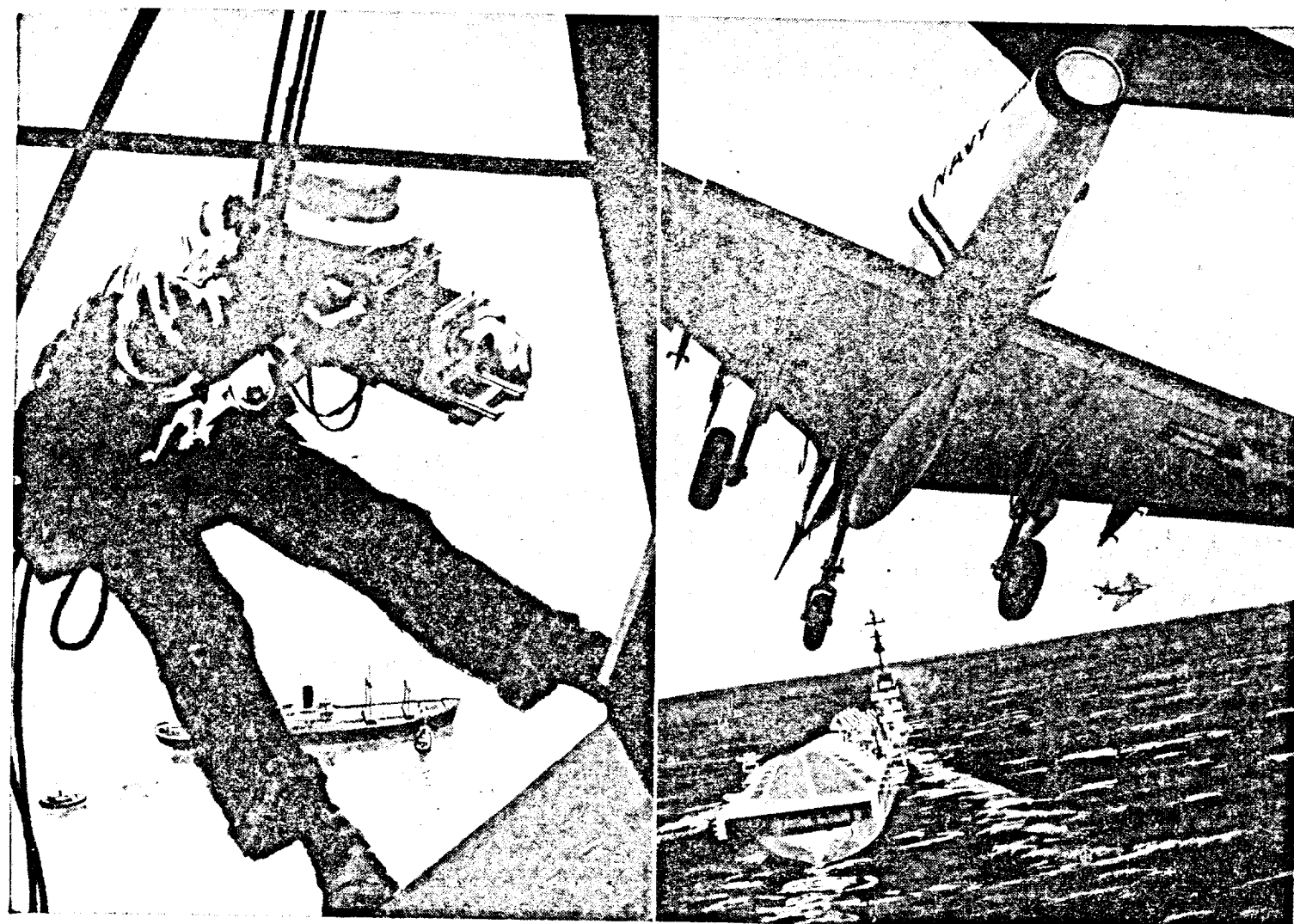
Where to save: the rise in Bank rate gives new opportunities to savers of all sizes (p. 735).

PULLING APART

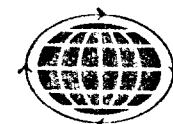
Stepney's slums are ripe for demolition: a turbulent priest has done a noble job of exposure (p. 720).

Roads in London (p. 698) and at Exeter (p. 721) are proving grossly inadequate for traffic.

Detailed contents on page 687



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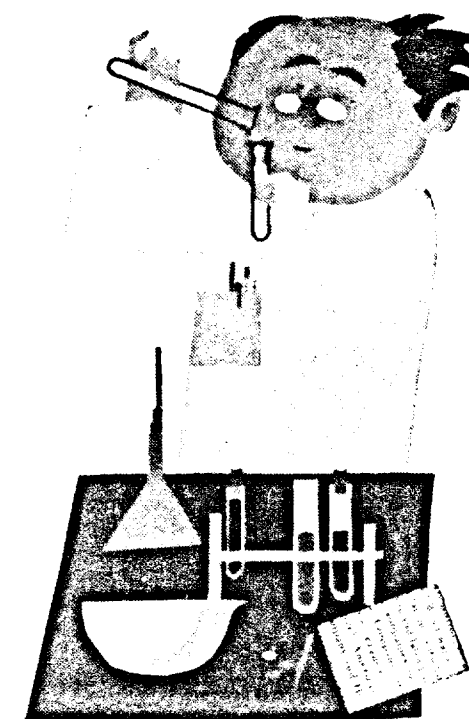


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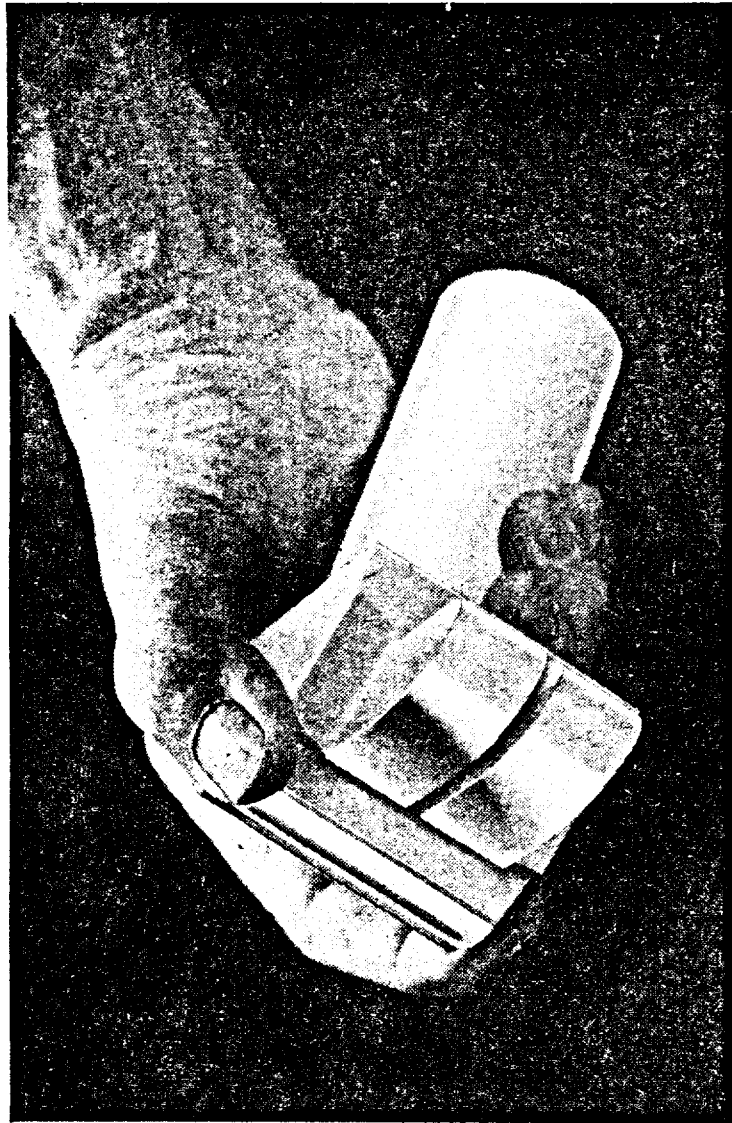
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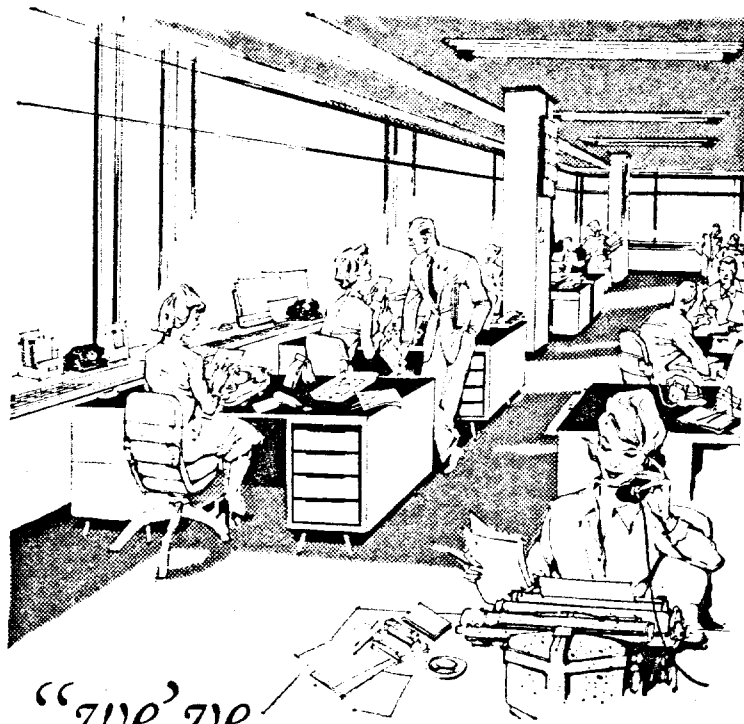
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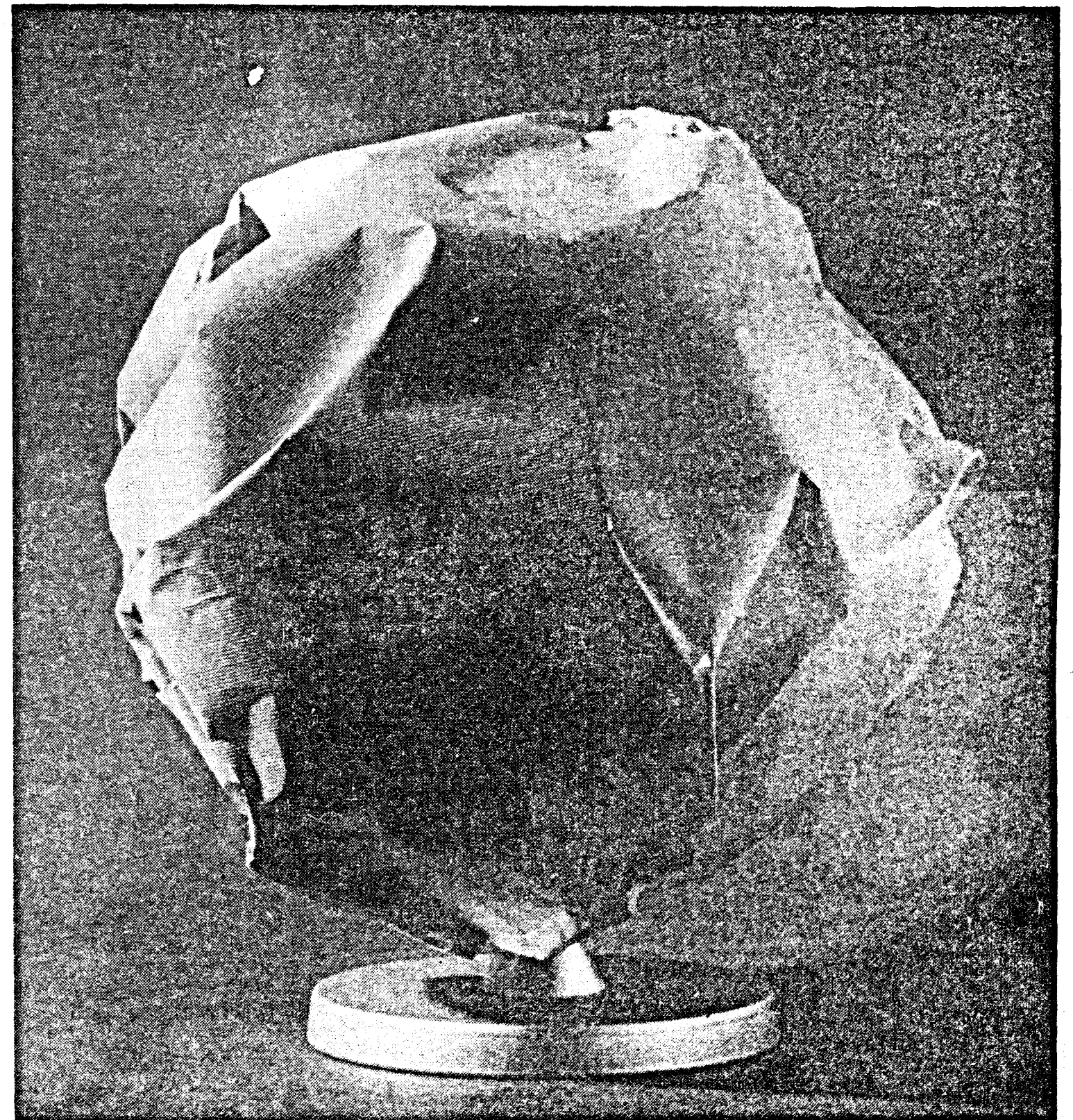
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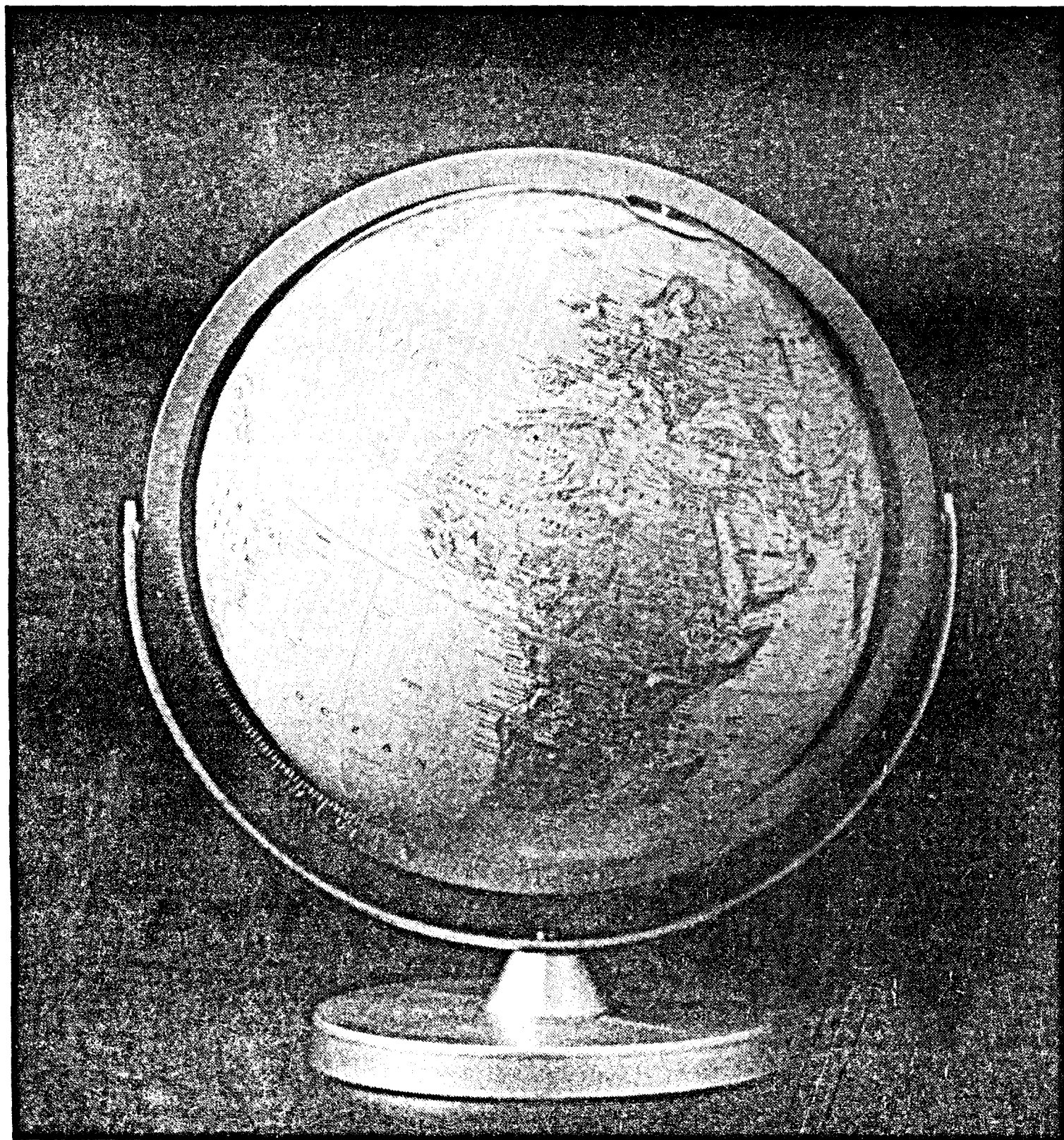
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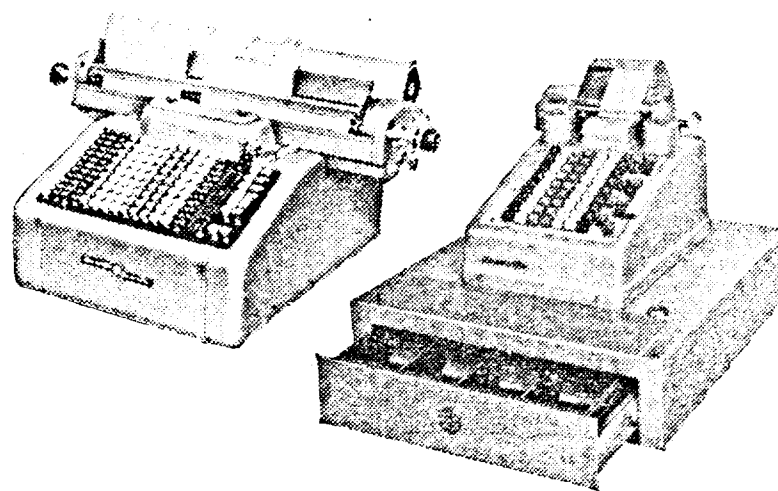
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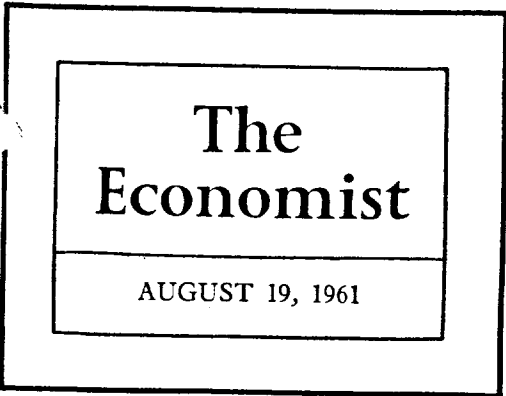
Birthe lives in Denmark. She is ten years old and studying music as an extra subject at her school. In fact, she hopes to graduate at the Royal Academy of Music in Copenhagen when she has finished her general education. Music has always meant a lot to Birthe. But when she was only three years old it seemed she might never hear it again. After a severe case of measles, she developed chronic inflammation of the middle ear. As a result she became almost completely deaf. Only after a long course of penicillin injections was she cured. Birthe was lucky.

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Berlin Herr Ulbricht's Deserted Village

SUPPOSE (purely for the sake of argument; this is not a new western plot) that each of the now communist countries of central and eastern Europe was divided into an eastern portion, run by the communists, and a western portion with a society conducted on western lines; and that their capitals were divided similarly. In all the People's Republics there would be families packing their modest bags and sneaking off to the capital, while families in the capital would be calling for taxis to take them to the western suburbs, leaving their furniture to be auctioned off by the authorities.

Strong young men, graduating from the free technical colleges, would do a quick calculation and slip off to their national equivalent of Düsseldorf to look for a well-paid job and their coveted make of motor-scooter. Middle-aged indispensable men in specialist positions, blackguarded by party workers to do whatever they did on more orthodox lines, would give them an old-fashioned look that would convey to the party officer that he should take care, or there would be another key post to fill in a hurry. The general tone of the communist societies would be insecure, ordinary non-political man would be insubordinate, the political élite uneasy and aggrieved.

In short, what has caused the east Germans to flee to the West in such huge numbers (the gross total since the beginning of 1949 is 2,600,000) is not anything particularly hard about east German life, or peculiarly malignant about the east German regime, by the standards of the communist world; the other eastern European peoples would do the same if they had the same chance. The east Germans have been leaving because, unlike the other Europeans under communist rule, they have had somewhere to go and an open manifold, Berlin, through which to get there.

Herr Ulbricht's government cannot deprive discontented east Germans of the fact that, unlike the eastern Europeans, when they do get away to the West they have a refuge waiting for them, where they are received as full nationals, with the rights of citizenship, residence, and labour. What it could do was to close the Berlin manifold, so that in future only the brave, the cunning, and the specially lucky will be able to leave. The unaccountable thing had seemed to be that the east Germans had not closed this outlet long ago, since they have long had the physical power to close it. As it appears, the communist powers must have understood that to scrap a major vestigial feature of four-power Berlin, by stopping free movement within the city, would be a grave step, with international consequences that might involve them all.

When Herr Ulbricht's government at last deliberately took the step on Sunday morning, August 13th, it gave as its authority a statement by the Warsaw Pact governments, drafted, presumably, seven or eight days earlier when the oligarchs of the communist alliance met in Moscow, though it was not disclosed at the time. According to Sunday's announcement from east Berlin, the Warsaw Pact governments addressed to the German Democratic Republic

a proposal to establish such an order on the borders of west Berlin as would securely block the way to subversive activity against the countries of the socialist camp, and would establish reliable supervision and effective control around the whole of west Berlin, including its frontier with Democratic Berlin.

How much enthusiasm the eastern European governments put into their approval of this Moscow statement is a matter of speculation. On the one hand the West,

by refusing to recognise the Oder-Neisse line and weakly condoning west German agitation about East Prussia, western Poland, and the Sudetenland, leaves them no choice but to subscribe to the central argument that the security of the east German state, and their own security, are one and the same thing. On the other, they are not anxious to draw the attention of their own peoples to the use the east Germans have been making of their privilege of easy escape; and some of them share the world's alarm lest heavy-footed behaviour in Berlin may lead to war. Thus the passage just quoted is followed by a disclaimer of any idea of interfering with western traffic to and from Berlin. Even so, *Le Monde's* correspondent in Warsaw has remarked that the Poles did not publish the Moscow statement till Monday, and that when they did they attributed it to a Berlin source, as if hinting that responsibility lay there.

HERR ULBRICHT, by contrast, has been meticulous in pinning the higher responsibility on his allies collectively. His own government's statement of last Sunday is profuse both in reminders to its eastern neighbours that if the German Federal Republic managed to extend its frontier to the Oder, they would be next for the chopping-block; and in assurances to the West that its traffic with west Berlin is not being interfered with. The arrangements for strangers (other than "revanchist politicians and agents of west German militarism") crossing from one part of Berlin to another remain as they were. It is for the people of Berlin, and for citizens of the east German state, that the position is brutally changed. First, the theory: east Berlin is the capital of the German Democratic Republic, and

such control is to be introduced on the borders of the German Democratic Republic, including the border with the western sectors of Greater Berlin, as is usual on the frontiers of any sovereign state.

Next, the detail: while west Berliners may enter east Berlin on showing their identity cards, east Berliners and east Germans may not cross into west Berlin without a special permit. "Reliable safeguards and effective controls" are to be established on the west Berlin borders; and, before the announcement was made, a massive operation was mounted in the small hours of Sunday to put this into effect, with all the apparatus of fencing, wire, trenches, and *chevaux de frise*, and with a show of police and military force directed more, one supposes, against the regime's own subjects than against the indignant west Berliners.

Much of the preparatory work for this had been done in past years. It was a quick operation this week to reduce the number of crossing-points to a dozen or so, all effectively controllable. If it was done with an unnecessary display and fuss, this was probably deliberate, to impress all concerned with the finality of the division of Berlin. An explanation is provided for the unusual rise in the refugee figures in the last week or two: government security cannot have been good enough to stop some east Germans getting wind of what was afoot, and deciding to get away while they could. Although registrations at the west Berlin refugee centres stayed high this week, this does not mean that the new controls are not effective; our special correspondent's despatch on page 711 suggests that the flow of new refugees has indeed been cut off.

All this may play a part in the round of east-west exchanges about Germany that still looks inevitable before the year is

out. If this week's work is to be final, the West has to face the fact that west Berlin's role in the world has been brutally cut down. As an escape hatch west Berlin has been put out of action. West Berlin as a show-window of western lights amid socialised greyness will not serve much purpose if people who live under communism are not allowed to tread there. The professors from Greifswald and Jana will no longer be able to exchange ideas with their old western colleagues in the Kurfürstendamm cafés of a Sunday afternoon. Many things will have passed. The idea that west Berlin is a political asset which the West must not negotiate about, because negotiation could bring no gain but only loss, looks less plausible than it did. True, west Berlin remains a source of trouble, annoyance and expense to the communists; does this automatically make it a western political asset? What the western governments are in fact left with in Berlin is their responsibility for the lives, the freedom and the interests of the 2,200,000 west Berliners. This is the reality, and they cannot escape or evade it. How can they best discharge it?

ONE thing that is obvious is that the interests of west Berlin are not going to be served by the kind of hasty counter-measures thought up this week in the heat of the moment: to make difficulties for west Germans who work in east Berlin; to extend to west Berlin the west German prohibition of the communist party (which would cause the Social Democrat outpost in east Berlin to be suppressed); to retaliate against inter-zonal trade; or to stop east Germans from visiting western countries. That the west Berliners should be impatient for action is understandable, but if all the ideas are bad ones, their impatience will be better contained. These ideas will all tend to cut off east Germany, and east Berlin, more thoroughly than ever from the western world. This has usually been Herr Ulbricht's personal policy. It is the course best calculated to make the east German regime more extreme and intransigent than it is already, and the most likely to lead in the end to west Berlin, too, being cut off.

The western interest is opposite, and has not been changed by last week's events. East Germany, for all that it is governed by barren and on occasion brutal doctrinaires, is not an automaton but a country whose attitudes are determined by a complex of internal and external forces. The treatment it receives from the western governments is only one of these many forces; however, to the severely limited extent that the West can influence east Germany's evolution, it should use its influence against the head-on intransigent hostility that now prevails there, and in favour of a more temperate regime, less introspective, more open to the world—which would also mean, in its peculiar circumstances, more German.

East Germans do exist, some of them communists, some of them potentially influential, who would favour such an evolution. They have a latent national force to call on, since any real movement towards German unity, which alone can restore Berlin to its proper status as a great city, can lie only along that road. Willy-nilly, the West cannot avoid dealing with east Germany. The boycott kept up for the past twelve years is one form of dealing; it is not a form fruitful in political or diplomatic success.

Ratepayers' Reckoning

The result of the Scottish revaluation, and Mr Brooke's lively fears in England, raise some awkward problems for the Government and local authority finance alike

HOUSEHOLDERS in England and Wales have not woken up yet to the fact that in two years' time their affairs (and conversation) are going to be dominated by the next revaluation of property, now assessed at 1939 rental levels, and the effect this will have on the local rates they pay. Scotland has had the experience this year: since the last major shake-up in rating north of the border (apart from the simple abolition of owners' rates) goes back to the first world war, and the last complete revaluation for rating purposes to 1856, the present manifestations of alarm and despondency are neither unexpected nor entirely unreasonable. Glasgow alone has produced 30,000 appeals and the county of Renfrew, just outside the city, 50,000. These are all nominally due to be settled by October 31st, but it has been obvious that some will drag on until the end of the year and the Secretary of State may even have to grant extensions until March: he has sternly and rightly resisted the suggestion by a number of local authorities that the revaluation should not take effect until next year anyway.

By bringing themselves up to date in one swoop, instead of pausing at 1939 values, the Scots have not only run into problems of their own but have thrown up issues that are going to affect the rest of the country as well. There is plenty of trouble looming ahead despite (and even because of) Mr Brooke's new Rating and Valuation Act. All this should swell the support for those who want to reopen the whole thorny and hoary question of how best to finance local government services, including such means as local income tax, site values rating and the rest. Ministers who are plainly reluctant to impose revaluation equitably upon all ratepayers under the present system ought now to be seriously canvassing the alternatives.

MR BROOKE'S chief worry has been that the 1963 revaluation will hit the householder hardest of all. That is why he has taken temporary powers under the new act to deduct whatever percentage he thinks fit from the rateable values of private dwellings when the revised valuation lists appear. These deductions will be made to suit the particular circumstances of every county and county borough in the country. In short, the minister himself can write the valuations for the ensuing five years. This precaution has been inspired by calculations which have (unofficially) put the likely rise in the rateable values of private dwellings in parts of England at up to 300 per cent. Since the revaluations of 1963 and 1968 are liable to coincide with general electoral seasons it is not beyond credibility that the wind will be tempered to supposedly shorn lambs of one kind or another for the foreseeable future. Rating and valuation bills, as Mr Brooke knows as well as anyone, have tended to become increasingly frequent: by 1968 anything could happen.

In fact, Scottish householders have done rather well this year. Their valuation has risen on the average by only 33

per cent (council houses by 37 per cent). The biggest outcry has come from industry, which has been presented with an increase of 163 per cent. This seems by no means unreasonable: it reflects many of the anomalies which have persisted up to now. It is certainly high time that firms which incurred new valuations (for example, by moving into new towns like Glenrothes) should now see their competitors brought roughly into line. But Scotland does possess more than its share of weak and decaying industries, whose eventual replacement is thoroughly desirable but whose immediate closure would merely add to the country's hard core of unemployed. The most obvious difficulties concern the shipyards—and whatever is done on Clydeside this year is clearly going to be seized upon by Tyneside and Merseyside afterwards.

The shipyards raise two problems. Valuation itself is difficult: no technical system for dealing with them is really satisfactory, and the grounds for appeal against individual valuations probably leave room for some hope of adjustment. But the yards also believe themselves badly done by in having to accept the full abolition of industrial derating when their tenders for new work are already calculated less for profit than to maintain employment. It happens that the Secretary of State for Scotland has left himself a ready loophole on this point. Mr Maclay's declared position is that industrial re-rating will apply in Scotland in 1963—or soon thereafter. If this is not an assurance to the shipyards, in particular, that something will be done for them, it is hard to see what else it can be. But if Mr Maclay is kind-hearted no one need suppose that Dame Irene Ward and the shipyard lobby will ask for anything less from Mr Brooke, and the queue of supplicants is unlikely to stop there. Once the door is half-open for special cases of this kind it takes good ministerial muscle to slam it shut again.

The Scottish revaluation also raises serious doubts about the present method of distributing Exchequer equalisation grants to local authorities. In particular, Glasgow's valuation has risen by only 42 per cent and Aberdeen's by 37 per cent. This seems to reflect the large proportion of poorer property that they possess. They are now liable to claim Treasury aid to the tune of £528,000 (previously nil) and £474,000 (previously £2,789) respectively. Equalisation grants go to curious places, including large cities, in England as well: Glasgow's saving of 6d. on the rates is not unjust as the system stands. It is highly questionable, however, whether a city of a million people, with considerable resources and capable of finding some of this extra half a million pounds with little difficulty were it to introduce an element of rationality into its housing account, should properly become such a heavy charge on the country as a whole. Even a fraction of the hand-out to Glasgow would make all the difference in small country burghs of limited means that are now liable to lose the grant altogether. A thorough investigation is required on both sides of the border before the system is due for renewal in 1963.

One of the primary objects of any grant system should be to concentrate wonderfully the minds of those local authorities whose policies, particularly on council rents, have veered

wholly out of line with economic realities. Glasgow now takes 41 per cent of its housing expenditure from the rates and 29 per cent from grants. There are already signs inside some Scottish local authorities that they intend to do as little as possible about rents and allow rate poundages to remain unnecessarily high under the new valuations. The soaring cost of all local government services (including teachers' pay) suggests that even if rate poundages come down this year they will be very close to their old levels next time. This is certainly not the object of the revaluation exercise, and Mr MacLay will have to bring more of his recalcitrant councils to heel if the situation is not to get wholly out of hand. The Labour-controlled authorities' preference in Scotland for



Nasser's Socialist Heresy

The Egyptian attempt to mark out an Arab road to socialism has angered the communists more than the capitalists

ON its ninth anniversary, Egypt's revolutionary government took a series of steps which, if pursued, will make good its long abused claim to be socialist. A list of presidential decrees, announced on July 19th, gave the state control, in whole or in part, over most of the major industrial and financial concerns in the United Arab Republic, and, furthermore, made it improbable that anybody in either region can continue to be really rich. It would be beyond nature to expect any well-to-do Egyptian or Syrian to be happy about any of this. But, so far, the most open, if not the most anguished, criticism has come from the communist press in Beirut. Through the medium of the Lebanese communist party, the wrath of the orthodox against the heretic has come down on President Nasser's head.

A spatter of return fire from Cairo prepared the way for the big guns: on August 4th, the editor of *Al Ahram*, Mr Hassanayn Haykal, published a massive and cogent comparison between communism and Arab (more accurately, Egyptian) socialism. He proclaimed no intention of attacking communism, and went on to point out Arab-communist differences. By the time the seventh difference had been reached, communism had been damned for its violence, its ideological rigidity (with specific reference to President Tito) and its lack of respect for the individual. Mr Haykal presented the theory behind the socialist decrees as a blend of liberal aspirations:

Arab socialism regards individual ownership as a right, which must be promoted and expanded . . . the individual is the foundation of the social structure and the state is an apparatus of the people set up to achieve and guarantee justice . . . sacrifice. Arab socialism says, should not exceed the limit . . . we call for work but we refuse conscription.

Moscow has not yet publicly responded. But, eventually, all President Nasser's sins in the eyes of the Soviet Union may be absorbed into this major and capital crime of setting himself

heaping the local services on the private householders' shoulders is beyond all limits of what would be tolerated in comparable towns in England and Wales. The Committee of Public Accounts recommended at the beginning of the month that consideration should be given to excluding from equalisation grant calculations all housing deficits caused by unreasonably low council house rents. There are arguments against tinkering with rating deficiency payments if it is at all possible to avoid it. But if the rating system is to continue to work, and be accepted by industry and householders alike, it is essential now to iron out the anomalies that have persisted for years—and prevent unnecessary ones creeping in by the operation of the revaluation process.



up as the exponent of an alternative way to socialism, one that needs no political guidance from Russia.

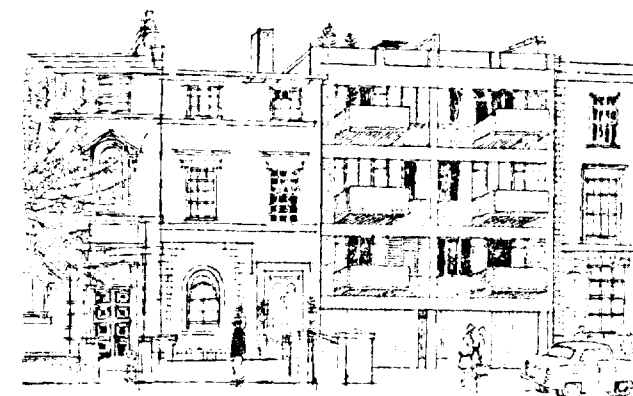
The United Arab Republic is now unmistakably on this path. The move towards state ownership, which started with British and French concerns in 1956, has been accelerated over the past year; the new decrees carry it a significant stage further. The nationalisation of banks and insurance companies has been extended to Syria and completed in Egypt; several large textile and mining companies have been taken over completely; some 300 industrial concerns have been compelled to sell a half-share of their capital to the government. Compensation is in the form of 15-year bonds, paying 4 per cent interest. No man may hold more than two directorships at once, and his shareholding is limited to £10,000. A steeply graded surtax system allows a top net income from all sources of £5,000 a year. The maximum permitted landholding, formerly 200 acres, has been halved; about 3,000 farmers will lose a chunk of their land. Working hours have been reduced so that jobs can be found for more people. A quarter of all company profits is to be distributed to employees, either directly or by way of social services.

This is what has been decided. The administrative problems now facing the government are self-evident. Wednesday's move to strengthen the central cabinet and demote the regional cabinets to executive councils makes a *de facto* situation *de jure*; the decision to move the headquarters of the Syrian council from Damascus to Cairo is in the interests of centralisation but not necessarily of efficiency. The country's economy, already in a bad way, could collapse about the ears of an inefficient bureaucracy. Cairo's hope is that as many as possible of the private business men will agree to stay on in their old firms under new conditions. The efficacy of the tax laws is open to sceptical doubt; the share of profits handed out to the workers will depend on whether or not any such

profit is declared. Some redistribution of incomes may be a necessary and meaningful step, but it is far more important that Egypt's national income should increase at least to keep step with the growth of population. Its economic growth could be paralysed if the Soviet Union decided to go slow in meeting its commitments under the development programmes.

But these and other hazards should not cloud the blazing fact that the United Arab Republic's revolutionary momentum has been restored. President Nasser's revolutionary energy, which ran badly off course during the late nineteen-fifties, has now

Room in the Middle



Cooperative flats at Regent's Park

THERE is an undoubted need for more houses to rent among people who would be able and willing to pay a full cost rent. Today, this need is largely unmet." Thus Mr Henry Brooke during the Commons debate on his new Housing Bill: a chorus of agreement should go up from a nation where the average household's combined income is now approaching £20 a week. Although a new, massive group of people could now afford to rent even brand new houses on commercial terms at somewhere around £5 a week, and although this would then widen out the market for renting secondhand houses as well, Government policy has hitherto succeeded in blocking up the supply of them. Between the postwar subsidised council house at perhaps £2 10s. a week for those who are able to wait in a long queue, and the grander dwelling for rent at £10 a week and upwards for those who are able to pay, there is a yawning gap. Ever since Britain slipped into rent control over working class housing by what was at first called a "War-time Restrictions Act" in 1915, it has been assumed that for commercial landlords to build new houses for rent to ordinary people would be a mug's game. And as landlords get vacant possession even of existing houses, they tend to sell them off and put their money into more lucrative investments. A recent survey by the Rowntree Housing Trust suggests that such sales may now be reducing the stock of houses for rent by over 2 per cent—or 100,000—a year, and that the Rent Act of 1957 has been quite insufficient to stop this trend.

The shortage of houses for rent makes for congestion at all levels, social and economic. It prevents families that cannot raise the down-payment for a mortgage on a new house from enjoying a standard of decent housing that they could afford to rent if only such accommodation were available. It lengthens the queues for council houses, whose occupiers stay put despite a rise in their effective incomes as their families grow up and start earning—although many of them would then be delighted to pay up to £5 or so a week for something better than a

been redirected to the problems of social change in his own country. If the West, resenting the nationalisation measures, sits back to enjoy a coming economic muddle, it may find itself sharing its smirk with the communist world. The reaction of the Arab communist parties, together with earlier warning grumbles from Moscow, indicates that the communists, at least, have recognised President Nasser's brand of socialism as one of the more formidable barriers to the Soviet Union's political penetration of the Arab world, and possibly of the African world too.

Are Mr Brooke's new measures to encourage non-profit-making housing associations likely to work?

council house if only they could find it. It deters middle class and skilled working class people from moving around the country, since they know that it will be almost impossible to rent a house or flat in a new area from which they might wish to move again in a few years: this is a major factor in the national lack of labour mobility, and quite possibly aggravates labour relations by denying the possibility of a change of job to skilled workers. The shortage also deters retired people, who often cannot get a mortgage even if they can afford the initial down-payment, from moving out of accommodation in industrial areas which would be occupied to better advantage by young families who now have to commute vast distances to get to work.

SINCE encouragement of profit-making landlordship is still regarded as politically beyond the pale, the Minister's chosen instrument for promoting building for rent is to be the non-profit-making housing association. The new bill provides for loans of up to £25 million, on Public Works Loan Board conditions, to cover part or the total cost of new houses built by these organisations. The Minister is rumoured to be fostering a shake-up in their central body, the National Federation of Housing Societies, and to be planning an increase in its annual Treasury grant of £2,500 (the federation also gets around £5,500 a year mainly from affiliation fees). This federation could now conceivably become an important social body, and it is time that the public got to know more about it.

Set up in 1935 at the instance of the then Minister of Health, to take over the housing interests of the Garden Cities and Town Planning Association, the federation descends in a direct line from the nineteenth-century trusts for providing "decent" working-class housing—the bastions of "philanthropy at 2½ per cent" whose structures (named after Peabody, Guinness, Cadbury, Fry, Rowntree and other Quakers) still stand like fortresses in the working-class centres of many

British cities. The spirit of philanthropy has remained with the federation, as the representatives of the trusts remain high in its councils: its activities in recent years have largely been in the provision of housing for groups with "special needs"—old people, coloured workers (rather unproductively), or Hungarian refugees.

The exception to this philanthropic bias has been in the case of industrial housing associations, set up by firms to house their own key workers. By setting up an association, firms were able in the years after the war to qualify for Government loans and subsidies in the same way as local authorities, and to get building licences even when other types of building were restricted. High interest rates on public loans, the abolition of building licences in 1954, and of direct subsidies since 1956, substantially put an end to this.

While the associations can still borrow up to 90 per cent of the cost of new building from public funds, and even qualify for certain subsidies, these concessions are made through the local authority as intermediary, and subject to Ministry approval—which means that they are in practice made available mainly to solve some special local need, such as housing for the old. Since the war, therefore, housing associations have so far produced only 46,715 new dwellings (of which 30,000 were built by the industrial associations); local authorities have built 2,431,000 new dwellings for rent, and private builders 1,249,000 for sale.

The non-profit-making associations have not begun to scratch the surface of the demand for ordinary accommodation for rent: an important building taken over by a tenants' co-operative here, a new block of flats built there with capital raised through a cheap loan from the local authority, are the movement's exemplary, and tiny, contributions to general middle-class rented housing. "Self-build" associations, in which a group of devoted people come together to do the actual work of building with materials purchased with a loan from a local authority or a building society, are dear to the federation's heart: but, however socially admirable, it is obvious that only a tiny proportion of people are willing to take part in them.

THE Minister's aim is far more ambitious. Under the new bill he is to by-pass the local authorities (which will, however, still be able to make loans and pass on the subsidy for houses for special purposes), and lend his £25 million directly to associations building for rent or for cooperative occupation. Some of the money, he hopes, will be put up by the members of the associations, or borrowed privately through building societies or otherwise: his aim is to prime a pump. Scandinavia provides him with a precedent. Nearly half the new housebuilding in Denmark, and nearly as much in Sweden, is done by non-profit-making private bodies, largely by (non-political) cooperatives. The British (political) cooperative movement having, incredibly, never gone into this line of business, the field here is wide open for pioneers. But where are they to come from under the new bill?

The first, and main, difficulty is going to be to find enough people with the right managerial talents and training to run such associations. It is doubtful whether non-profit-making bodies will, at first, realise just how much they must pay to secure a manager qualified to assemble sites, to find architects and contractors, and to ensure that the houses and flats, once

built, are properly run—whether by tenants' committees or by the association itself. But the new proposals do at least provide a means whereby groups of like-minded people can raise the money to build in their own areas, under the harsh incentive of not being able to find anywhere decent to live. Those most likely to be helped by the offer of a cheap loan, are residents in London, where high site values at present effectively prevent non-millionaires from buying land for building. These cooperative houses, however, will not be for rent to the general public: the general principle of a cooperative is that its members borrow money with which to build room which they then let to themselves.

If the bill is also to promote the building of housing for general letting, something must be done to bring in existing large bodies and private capitalists as financiers. But here the ban against the associations themselves making profits is going to be a barrier; it is hard to see why insurance companies, for example—who might well finance truly commercial landlordship in a big way—should put their money or their executives' skill into a non-profit-making activity in return for normal fixed interest rates that they can draw from industrial debentures with rather less risk and much less trouble. The building societies, too, have other uses for their capital, although they might well be willing to lend a proportion of the cost if the rest is to be made up by cheaper Government loans. In Scandinavia the trade unions find in housing an acceptably non-capitalist field for investment; but it is hard to imagine that the British unions will go as far as the Swedish building union, whose general secretary is also president of one of the country's major construction companies deeply involved in the cooperative housing movement.

One main hope is that certain large building firms are investigating the chances of sponsoring the establishment of housing associations: presumably their idea would be to provide the necessary technical and managerial services to the non-profit-making association, their reward coming in the form of a contract from the association to do the building and perhaps to provide the land. But it is doubtful whether many large firms—most of which are heavily occupied in building for private developers or local authorities—could at present spare the skilled staff for such experimental ventures.

Nevertheless, the market for new rented housing ought, logically, to be so wide that—some way or other—enterprise in Britain must soon break through and start providing it. Perhaps this new bill's encouragement for "non-profit-making housing associations" will provide the leaven, in rather the same way as the Betting Act's legalisation of "non-profit-making" bingo has started off the bingo boom, because dance halls and cinemas and clubs have found that they can cover overheads out of it. Once a boom in rented housing did begin, under the safeguards for tenants that housing associations provide, it would almost certainly become so popular that even a Labour government would not dare to keep on threatening to stop it—by measures that would make participation in these ventures actually loss-making, as private landlordship became under the old Rent Acts. In any case, the Housing Bill is to be the first item on Parliament's plate when it reassembles: the best possible result of Mr Brooke's pump-priming operation would be if, by at last providing some political security, it began to bring private builders—and the incentive of profit for them—back into the business from which so many years of rent control has driven them.

NOTES OF THE WEEK

WAGE PAUSE

White Collars, Black Looks

TRADE union opposition to Mr Lloyd's wage pause is rapidly taking shape: union representatives on the staff side of the civil service negotiating body have authorised the "taking of whatever steps considered appropriate to influence public opinion"—short of striking. Some of the civil service unions (although not those affiliated with the TUC) will be attending the conference which the National Union of Teachers is organising at the end of the month, in the hope of setting up a united white-collar front; but anything more than a few sporadic and brief strikes seems highly unlikely. The chief complaint voiced by Mr Richard Hayward for the government employees continues to be that the Chancellor has cracked down on the time-honoured system of arbitration: the Chancellor's new principle that he will fix the dates on which arbitration awards come into effect has now been extended by the Minister of Labour to wages council awards, affecting 3,500,000 employees in the private sector.

The civil service unions, like the teachers, argue that if the results produced by their wage negotiating machinery have been in-

already asked for—and much is being made of the salaries of Dr Beeching's new assistants. The engineering unions are to ask for £1 a week, as well as a reduction of hours from 42 to 40 a week. The miners will be naming a sum early next month, probably a big one as they were not particularly pleased with the 8s. 6d. a week which they got in January.

The first test of how far the manual workers' unions are prepared to go in industrial action will be provided by the unions representing the 340,000 manual workers in government industrial plants. At their meeting on Wednesday, these unions spoke up strongly about the freeze: but each union executive will take its own decision on whether or not to strike. Even the General and Municipal Workers—perhaps the most sobersided of the manual unions—have joined militant smaller outfits like the supervisory staffs (Asset) in hinting that it may come to a strike for them too. There is a danger that as Mr Lloyd's plans come out piecemeal (and with no indication that priorities will be given to the right people when the temperature grows less chilly) the positive side of his policy is being lost from sight. This makes the effective presentation, to unions, employers and public, of his ideas on future planning and policy all the more critical for the success of the pause itself.

EAST-WEST

Into Line

ONE effect of the dust kicked up by Herr Ulbricht's closing of the boundary in Berlin has been to obscure another development, just as important and much more welcome. Negotiations with the Russians about Berlin and the related problems have now graduated from a mere probability to—if both sides stay cool—a near certainty. It is not yet clear whether the western foreign ministers came to a private understanding, when they met in Paris a fortnight ago, that an east-west conference was desirable. (Their public position was that the Russians would have to change their attitude first.) What is clear, however, is that the foreign ministers agreed to get the public opinions of their respective countries into line with each other: the line being defined as a cautious acceptance of the likelihood of negotiations. This has led to the kind of shuffling that

soldiers perform on being given the order to dress by the centre. The British, perhaps the readiest to talk, have been told by Lord Home that the word "negotiation" is no magic formula. The west Germans, in general the most suspicious, have been told by Dr Adenauer that he is convinced there will be talks. Mr Dean Rusk has said the same.

Of the major figures involved, only General de Gaulle remains silent. But reports from Paris suggest that the French are now putting more emphasis on the need to wait for the right moment to propose a conference than on the general undesirability of negotiations. Whether or not these readjustments eventually lead to an east-west conference depends largely on how the West reacts to this week's developments in Berlin. The British and American governments are clearly reluctant to authorise counter-measures. Their argument, which is a solid one, is that counter-measures, by raising tension still further, would make reasonable negotiations even more difficult; and that, if talks do take place, the whole matter of movement between the two halves of Berlin can be discussed then.

Paris and Bonn, by contrast, obviously dislike letting Herr Ulbricht's challenge go by without a response. The danger (quite apart from the difficulty of finding a response that does anything useful) is that France and Germany, if disappointed in their desire to do something now, might go back on their recent acceptance of the idea of negotiating about the whole problem. But, if the West now resorted to "action," the result might be a sequence of retaliation and counter-retaliation leading to an act (for instance, interference with the supply routes to Berlin) that carried matters past the point of no return.

GREECE

Balkan War of Nerves

MR KHRUSHCHEV's war of nerves over Berlin is not only directed at the three western powers directly responsible for the city. At a Kremlin reception on August 11th he revealed that he had threatened both Signor Fanfani, the Italian prime minister, and the Greek ambassador with the indiscriminate bombing of their countries if war broke out between Russia and Nato, on the ground that both countries have Nato bases and bombs "do not differentiate" between bases, orange groves and the Acropolis. Italy does have Nato missile bases on its soil; Greece has none. What might be considered a legitimate, if



Hayward: civil service protest

Jenkins: militant Asset

flationary this has been because workers in outside jobs were getting inflationary rises ahead of them. But a rise anywhere along the line now would be interpreted as a sign that exceptions can always be made to the general rule—and almost all the unions about to slam in their wage claims regard themselves as exceptional. The railwaymen are certain to ask for a rise to restore their position vis-à-vis other industrial workers, as established by Guillebaud. Although they have not yet made their claim, it is likely to be in the region of ten per cent—which is what the drivers' and firemen's union has

brutal, warning to one country was bare-faced bullying of the other.

It is not only from Moscow that the Greeks are being fired on. They and their communist neighbour, Bulgaria, are never on very tranquil terms, because the Bulgarians refuse to discuss a settlement of their reparations obligations to the Greeks under the 1947 peace treaty, and the Greeks resist all efforts to sidetrack them from this issue. At the moment, however, the two countries are going through a particularly stormy patch. After several more or less minor pin-pricks by the Bulgarians, on July 22nd at a diplomatic reception in Sofia Mr Yugov, the Bulgarian premier, unloosed an intemperate attack on the Greek government and its policies. As a consequence, the Greek chargé d'affaires in Sofia has been withdrawn, and the verbal warfare between the two countries, in diplomatic exchanges and in the press, has grown hotter.

The Bulgarians never need much excuse to attack the Greek government, especially when elections in Greece may possibly not be far off. But any manoeuvres designed to unsettle and rattle the Greeks are no doubt welcome to Mr Khrushchev at a time when he is clearly trying to persuade the Greek government that it had far better not get involved in the Berlin business. A Moscow broadcast in Greek on August 14th advised the Greeks plainly to this effect; it also suggested that what it called the "anti-Bulgarian campaign in Greece" was a "sort of feint by Nato" and that the policy of the Greek leaders was "digging an atomic grave" for their country.

FRANCE

Talk about Tunisia

MONDAY should not, after all, be a too difficult and unpleasant day for the British and American delegates at the General Assembly of the United Nations, which meets for "consideration of the grave situation in Tunisia." Indeed, as M. Couve de Murville remarked on August 10th, the French boycott of the debate will serve to prevent the sort of violent exchange that does nothing to clear the air. In the calm that ought to prevail, Britain and America should find it easy to associate themselves with the general view that there should be compliance with the Security Council resolution—which demanded that Tunisia and France retire to their starting positions, and that they reconcile their difference peaceably. The British and Americans should also say that France ought to be prepared to discuss the eventual evacuation of the Bizerta base.

The West can take this line with added confidence because there is reason to believe that the French will, in the not very long run, fall in with it. President Bourguiba, of course, has advocated it from the start, and has repeatedly offered to call off his campaign for the UN debate if France would agree to start bilateral discussion on these

terms. President de Gaulle was at first inclined to resist all suggestions that included the word evacuation, and to demand a Tunisian guarantee not to renew the blockade of Bizerta before he would pull his troops back to the starting-line. But it now seems to have begun to be understood in Paris that this attitude can only irritate France's allies (not that the President has ever stuck at that), anger Tunisia still further, and overload the already anxious loyalties of France's African associates. It must also have been made clear to the French by Mr Rusk and Mr Stevenson that, in their eyes, Bizerta is simply not worth the permanent alienation of Tunisia.

In fact, it seems probable that were not President de Gaulle so cussedly suspicious of the United Nations, and so anxious to save face by not appearing to concede President Bourguiba's demands under threat of the debate, talks might by now have started (there have already been private contacts). Whether they will get anywhere, when they do start, depends, as so often before, on the extent to which President de Gaulle is ready to modify his original position.

Settlers Unsettled

IN spite of the gloomy forebodings expressed when the Bizerta crisis exploded, the stream of French citizens from Tunisia seeking refuge in France is still no more than a trickle, and the greater number of those forming it are the dependents of members of the armed forces at Bizerta. But the French government is using the affair as an opportunity to prepare measures for the much larger immigration that is expected to follow Algerian independence, or, indeed, may yet result from the Tunisian quarrel. Estimates vary widely of how many Europeans in Algeria, Tunisia and Morocco might make the journey to a country many of them have never seen; but it is obviously wise to prepare for the worst, which means that the government is working out ways and means of looking after as many as half a million repatriates.

The problem, as seen from Paris, resolves itself into three parts. First, the repatriates themselves must be found lodging and employment. The question of compensation has been largely subordinated to this; the idea is to provide for the future, rather than to make up for the past. With the exception of shopkeepers (France has too many already) the repatriates will be given financial assistance, if they need it and want it, to set them up in their old avocations. Special aid will be given to help them find housing. But (the second of the government's preoccupations) the country cannot afford to let the refugees drift into uneconomic activities; nor would it be politically desirable for them to settle an extremist, embittered multitude all in one place. Hence the power that its control of the purse-strings gives it will be used by the government to encourage the repatriates

to go to the jobs and places that it thinks best.

But the third, financial, preoccupation is perhaps the most serious. A common estimate is that taxes will have to be raised by ten per cent to pay for the repatriation programme; the government is already committed to a heavy additional outlay. The French economy, it is true, continues to thrive, and the country's financial position is sounder than at any time since 1939; but no finance minister could be happy about presenting such an expensive programme to parliament.

INTO EUROPE

Resistance Groups

SIGNS of strain within both the major political parties caused by Mr Macmillan's overture to the common market are coming to the surface. Those opposed to Britain's entry are trying to mobilise and their activities are likely to increase in the months of uncertainty and negotiation ahead. On the Tory side, Mr Peter Walker, who carries considerable influence among Young Conservatives, has organised a research team to investigate the potential for expansion offered by Commonwealth markets. He hopes to publish the findings next month before the meeting of the Commonwealth finance ministers. This could be the occasion that the anti-European elements in the party have been waiting for.

A group of Labour members have also joined together to provide an information service which will publicise the disadvantages of entering Europe. This is intended as a direct riposte to Lord Gladwyn's pro-Europe campaign committee. Labour front benchers likely to be associated with the group include Mr Douglas Jay and Mr Patrick Gordon Walker, but their participation will have to be limited so as not to conflict with the official party policy of non-alignment. Mr Roy Jenkins is deputy chairman of the Gladwyn committee (an all-party body), but he thought it necessary to resign as a front bench spokesman in order not to be inhibited in his campaign.

Labour disunity on the common market, which so far has been damped down by Mr Gaitskell's temporising policy, is likely to be increased by this new grouping, and it could be brought glaringly into the public eye if Mr Richard Briginshaw, general secretary of Natsopa, were adopted as Labour candidate in the Moss Side by-election. Mr Briginshaw is the founder of the Forward Britain movement—a small group chiefly made up of trade unionists—whose object is to fight against Britain's entry. This runs directly counter to the official policy of the TUC. Forward Britain plans to hold an all-party meeting next month, when Lord Hinchinbrooke has been invited to be a principal speaker. Mr Briginshaw's prospect of adoption at Moss Side is uncertain: the local Labour association has only just applied to Transport House for a list of suitable names.

ULSTER AND THE EEC

Sir Douglas to the Rescue

A correspondent in Belfast reports:

FACED with the prospect that it, too, may find itself inside the common market, the Northern Ireland government has taken the unprecedented step of appointing Sir Douglas Harkness as its adviser on economic affairs. This is a newly-created post: Sir Douglas has, up to now, been permanent secretary to the Ministry of Finance and head of the Northern Ireland civil service. Hitherto, the Northern Ireland government has not been too keen to seek expert economic advice, or even to accept such advice when it has been offered gratuitously. This seems to have been because most economists have made recommendations which the government has thought it politically unwise to accept. The Ulster Unionists have always set their faces against cutting their financial or fiscal ties with Britain, reducing taxation by bringing in an inferior system of social services or starting a state shipping service to compete with companies already operating in the Irish Sea—the kind of advice that tends to be given them.



Sir Douglas Harkness: new remedies?

Ulster possesses an economy that has always had to be carefully nurtured to keep serious unemployment at bay—a policy analogous to the way the Netherlands holds back the sea. It now has probably more reservations about joining the EEC than any other part of the United Kingdom. Thus, Northern Ireland's farmers get some £30 million a year from existing price supports. The Safeguarding of Employment Act, which the Northern Ireland government passed in 1946 to reduce competition for jobs, strictly controls the entry of alien labour. There is also the problem of the government's policy of providing generous inducements to potential employers. These inducements have amounted to something near £50 million in the past fifteen years; but without them unemployment would be far worse than it is.

The duties of the new economic adviser are expected to range beyond the EEC and could take in some of the tasks now undertaken voluntarily by the Northern Ireland Development Council, or even some of the work of the Ministry of Commerce. The new department will satisfy those people in Ulster who have wanted a special committee to examine the problems involved in entering the common market, similar to the committee of industrial organisation which the government of the Irish Republic appointed a few weeks ago.

RHODESIA AND NYASALAND

Sleeping Partners

PARTNERSHIPS between African men and European women are to be made legal in Southern Rhodesia. Until now the law has forbidden them, but has allowed love affairs between white men and black women. This removal of perhaps the most glaring example of social discrimination in Southern Rhodesia is the only really hopeful news to come out of central Africa in the past few weeks. Northern Rhodesia is still in trouble as a result of the liaison between Sir Roy Welensky and the British Government, and the new constitution which is its offspring. At the weekend, when it became apparent that the wave of arson, stoning, and road-blocking in Northern Rhodesia was more serious than at first supposed, Mr Kenneth Kaunda, leader of the United National Independence Party, flew to London to appeal to "the British people" and Commonwealth High Commissioners to put pressure on the British Government to alter the new Northern Rhodesian constitution. Small changes that would give the Africans a better chance of winning a majority would make it acceptable to UNIP (if not to Sir Roy Welensky), and might make all the difference between peace and revolt in the colony. On Wednesday, UNIP headquarters in Lusaka announced that Mr Kaunda's non-violent "master plan" was being put into action; this may keep UNIP's more excited members from violence for a while, but probably not for long if the constitution is kept weighted in the federalists' favour.

In Nyasaland, too, the stability of the federation was shaken this week. Dr Banda's Malawi Congress Party won all twenty lower roll seats and three of the upper roll seats in the territory's first elections under the new constitution. Five of Sir Roy's men and five officials will also sit in the new legislative council, but Dr Banda will, even so, command an absolute majority. He will also be able to demand the three ministerial posts accorded to lower roll seats, and may

well get one or both of the posts reserved for upper roll members. A sympathetic governor (and Dr Banda is on good terms with Sir Glyn Jones) could ensure that the officials making up the balance of the executive would work with Malawi. They might not vote with Dr Banda's men on the executive on a motion to secede from the federation. The motion is certain to be put, and carried, in the legislature. As for its effect, Dr Banda's first words on Wednesday after his victory were that, if the Europeans wanted to keep the federation intact, "they had better declare an emergency and send me to prison."

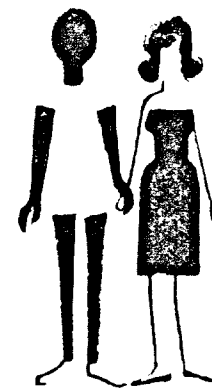
TUNISIA

Survival after Death

WHEN President Bourguiba heard of the brutal murder on August 12th of Mr Salah ben Youssef, his exiled Tunisian adversary, he must have recalled a brief encounter in Switzerland only five months ago. The two men then met for the first time since January, 1956, when Mr ben Youssef fled to Cairo after quarrelling with his erstwhile colleague about Tunisian policy towards France. Bourguiba stood for moderation, gradualism; ben Youssef for a clean and final break with the French. When in March, 1956, Tunisia obtained independence, Mr ben Youssef found encouragement in Cairo and soon became its instrument in attempting to overthrow the Tunisian president. In March, 1958, he was convicted and condemned to death *in absentia* for plotting the president's murder. The bitterness that built up around him caused Tunisia's estrangement from Cairo and withdrawal from the Arab League.

In March this year, when Mr Bourguiba was staying in Switzerland, Mr ben Youssef turned up—incognito—in rather changed circumstances. The United Arab Republic had revised its policy of trying to overthrow governments in non-conforming Arab countries and was seeking strength through friendship. Under this new dispensation Tunisia had returned to the Arab League in February and Mr ben Youssef, though still a well-liked guest in Cairo, was no longer President Nasser's political instrument. So Mr Bourguiba took the occasion to offer him the hand of friendship. But the gulf between Bourguibism and Youssefism was, apparently, still too wide to be bridged. The interview broke up in acrimony. It may, though, have warned the president that Mr ben Youssef was still on the warpath, and served to stiffen his hand in dealing with the French at Bizerta.

Nevertheless, Mr Bourguiba has nothing to gain from his rival's assassination. It could damage his rapprochement with Cairo; nor does it kill Youssefism, which is more an attitude of mind in Tunisia than loyalty to a single man. This attitude of "out with the French at all costs" has waxed and waned according to political events. It waxed for a short time after the bombing of Sakiel, and has done so again.



in the wake of the Bizerta reverse. Indeed, the survival of Bourguibism after Bourguiba (or even with him) is much more debatable than that of Youssefism after ben Youssef.

EPISCOPAL APPOINTMENTS

Protest in St Paul's

CANON COLLINS of St Paul's with his preternatural gift for attracting publicity has done it again, and succeeded in making episcopal appointments in the Church of England the centre of public interest to a degree which neither the Archbishop of Canterbury nor even the Guildford deanery affair achieved. He launched his protest from behind the appropriately pink coloured curtain in St Paul's which shaded the chapter meeting from profane eyes last weekend, daring to vote against Dr Stopford, the royal nominee for London, and so laying himself open to all the disagreeable penalties of praemunire, which include outlawry and confiscation of goods. These, however, are not likely to be enforced.

The method of Anglican episcopal appointments was discussed in *The Economist* of July 15th, when it was argued that the system of state appointments needed reform, not demolition. The classic defence of the existing system is that it works, and it has certainly provided the Church of England with a succession of effective if not always notably spiritual leaders. "In general we observe," said Walter Bagehot, "that those become most eminent in the sheepfold, who



Dr Stopford: by a majority

partake most eminently of the qualities of the wolf."

The prayer offered by the chapter asking for the guidance of the Holy Spirit to elect the person named in the *congé d'élire* has justly been branded as blasphemous by Mr Peter Kirk MP, but there is no obligation to use this impertinent invocation. The Dean of St Paul's in fact declined to do so, and his example could profitably be followed by other deans without waiting for any legislative reform. Such reform

NOTES OF THE WEEK

would be expedited if the Church Assembly at its autumn session appoints a commission to investigate the whole relationship between church and state.

Dr Ramsey, much less erastian than his predecessor, is known to favour greater liberty for the church, and has already promised to cooperate in appointing such a commission, whose effective terms of reference will probably be limited. Complete autonomy could be purchased only at the price of disestablishment, which very few within the church are willing to pay, nor is there any strong desire to hand over the election of bishops to the cathedral chapters. Canon Collins's intemperate denunciation of Dr Stopford on political grounds is a timely reminder of the dangers of such a course. "Birmingham people," Cardinal Newman once remarked, "have souls," and the Precentor of St Paul's might recall that bishops as well as canons have consciences. What is urgently required is some form of consultative machinery in each diocese by which—when the see is vacant—clerical and lay opinion on suitable appointments can be conveyed officially to Her Majesty's advisers.

CHURCH UNITY

Roman Catholic Bid

THE announcement by the Archbishop of Liverpool, Dr Heenan, that a committee of Roman Catholics in England has been set up to foster unity among Christians of different denominations represents a notable advance for the ecumenical cause. The Secretariat for promoting Christian Unity which was set up by Pope John XXIII (and of which Dr Heenan is a prominent member) is situated in Rome. While this is central from one point of view it is comfortably far away from another. The creation of a local English committee to act in cooperation with the parent body should appreciably accelerate and facilitate its work.

One immediate effect should be to check the widespread feeling among ecumenists, referred to by Dr Heenan in his speech, that the English Catholic hierarchy is much less enthusiastic about Christian unity than the Pope. Papal initiatives, it is believed, have not been followed up by the English bishops because they are convinced that the Pope does not really understand the religious situation in England or the doctrinal complexity of the Church of England. This conviction has prompted ecumenically-minded Anglicans and others to by-pass the English Roman Catholic bishops for fear of being rebuffed, and to resort to French or Belgian prelates who could be guaranteed to give them a warmer welcome. These suspicions have certainly been justified in the past, but such action by Protestants has done nothing to lessen them, since the English Roman Catholic hierarchy naturally resents being ignored.

A great deal will now depend on the energy with which the committee pursues its task and the projects which it initiates.

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In the Roman Catholic Church initiative must come from the bishops and the new body is a committee of the hierarchy entirely



Dr Heenan: under his eye

composed of bishops. The actual composition, however, is not entirely reassuring since most of the members are scarcely zealots for cooperation. It will be interesting to see if the committee is expanded at a later stage to include members of the religious orders who have been in the van of the ecumenical movement, and also to include lay members. Dr Heenan himself, with the committee's headquarters actually under his eye in Liverpool, is unlikely to allow it to sink into somnolence.

ISRAEL

Vote of Acquiescence

MR BEN-GURION has won a tepid vote of confidence from an Israeli electorate resigned to the tedium of holding elections, two years before time, in the holiday season and the mid-August heat. The results of Tuesday's election show that the prime minister's party, Mapai, is still way ahead of the crowd. Mapai is now expected to have 42 seats in a Knesset of 120 members, instead of the 47 it won in 1959. Herut, the militant right-wing party which came second in 1959, now has 17 seats and ties in second place with the Liberals, the new coalition of the right-of-centre parties. The prime minister's description of the results as a "national disaster" implies that he had hoped to avoid the irritations of coalition government by gaining a straight majority for his party. But this was never likely.

The elections were held prematurely because Mr Ben-Gurion decided to make his handling of the Lavon affair earlier this year a matter of national confidence. But few political speakers have had the heart to scratch over the squalid causes of Mr Lavon's decline and fall. Instead, the basic issue boiled down to whether or not the electorate still wanted the prime minister and his party to play a dominant and constant part in the country's management.



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Two years ago, Israelis paid respect to Mapai as housekeeper and guardian of their interests; this time, although their support has been less enthusiastic, it was faithful enough to make plain that no reasonable alternative has yet slid on to the horizon.

Foreign policy began to be seriously debated only with the advent of Dr Nahum Goldmann, the president of the World Zionist Organisation, in the last week of the election campaign. Dr Goldmann is not an Israeli citizen, but he spoke for the Liberals. For several years, there have been few significant differences in party lines on practical foreign politics. But Dr Goldmann brought new ideas. Israel's diplomacy, he claimed, required dynamic rethinking; the country had been marking time for too long (an unfair dismissal of Israel's strenuous and successful efforts to make friends with the new African countries). He laid down some broad principles: Israel should seek non-commitment between East and West, encourage an arms embargo in the Middle East and, above all, struggle towards the goal of a neutral confederation of Middle Eastern states. Just how it was all to be done, he did not say.

WORK IN PRISONS

Too Little for Lags

THE advisory council on the employment of prisoners has just published its first report,* after a year's investigation, on the work of men prisoners in prison workshops. Predictably, it rejects "hard labour": the therapeutic value of work is not disputed, but it should be a means of utilising a considerable labour force (20,000 men) as well as of fitting prisoners, by inuring them to industrial conditions, for a usefully honest life on discharge. It is felt that prisoners should be made to work a full (40 hour) industrial week and to raise their productive standards to those of outside industry. It is not foreseen that prisoners, 0.1 per cent of the working population, could ever compete "unfairly."

There are, in fact, many obstacles to efficiency. The turnover of prison labour is above 300 per cent a year: overcrowding, staff shortages, lack of training and the demands of routine reduce the working week to 16 hours. The council hopes for an eventual improvement to the point where the workshops will be efficient contractors to government departments (and even private employers). The mental hospitals are showing the way towards this. It means turning a factory into an institution rather than the other way about.

On pay, the council's recommendations (now agreed to by the Government) lift the basic rate from 2s. 3d. a week to 3s. with 8s. for a good worker and a 10s. ceiling—enough, it thinks, for a prisoner's needs (which it equates with half an ounce of tobacco a week). But this will hardly discourage the "snout barons," whom heavy smokers will continue to patronise, laying

* *Work for Prisoners*. HMSO, 2s. 6d.

up for themselves dangerous debts which must be paid in cash (or slash) on release. The quickest way out of the barons' clutches is not a semi-skilled job. It is disappointing that the council could not bring itself to recommend a higher return (in Denmark it is up to 50s. a week) out of which maintenance for the prisoner and his family, and possibly some help for his victim, could be deducted. (In fact, employers of extramural workers from open prisons pay full wages—to the Prison Commissioners.) There is still a great deal to be done to relate prison work and payment to the whole problem of after-care, which, it is now recognised, should properly begin on committal.

LONDON'S TRAFFIC

Hardening Arteries

LONDON Transport confirmed on Monday that the Underground is getting intolerably crowded but is popularly preferred to the buses. Nearly three million people make the journey to and from the City and West End every day, more than a third of them by tube, which has increased its patronage by 4 per cent over the past year. Bus passengers fell by 7,000 a day to 215,000. British Railways suburban services showed a gain of 15,000 a day and now carry 452,000 passengers in the morning peak hours. The remaining million or so travellers packed on to the roads in cars, taxis and on motor cycles. Road traffic in the central area has come closer to total seizure. The yearly 6 per cent rise in the number of private cars has been the main cause of a fall in the average journey speed from 12 mph in 1948 to just over 9 mph this year. In the rush hours the speed is about 7½ mph, despite attempts to stagger working hours.

Some alleviation is being attempted by one-way schemes; and on Monday a new "peak-hour clearway" will be hopefully introduced (for a trial period of six months) on the Great West Road, where no stopping will be allowed in the morning and evening peak hours for the 5½ miles between Knightsbridge and the Chiswick flyover. There is no clear idea of how much relief will be obtained; but other parts of London have benefited by a 3 mph rise in journey speeds after setting up "no waiting" signs. Concessions have been made on the clearway, not only in the obvious cases of buses and ambulances, but also to taxis, although minicabs will not enjoy this privilege. If further exceptions are made (say for commercial vehicles) the whole idea might just as well be dropped.

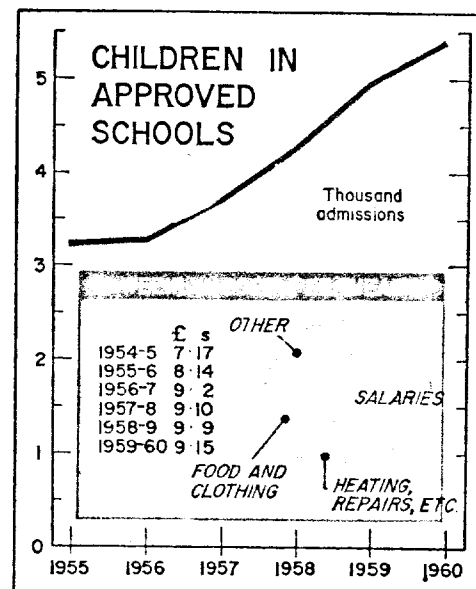
At the Chiswick end of the clearway a new hazard is being developed in the mile-long works for an overhead road from the flyover westwards. Entirely desirable as the end result of this may be (as part of the London-South Wales motorway), in the three years of its construction motorists are liable to persuade themselves that what has been given with the right hand has been taken away with the left.

CHILDREN'S DEPARTMENT

In Care and In Crime

WHEN the seventh report of the children's department of the Home Office was published (in November 1955), the amount of juvenile crime had been falling from its postwar peak, and places in approved schools were being reduced. It was the number of children in care that was then rising, children, that is, who might or might not have broken the law but whose home circumstances (parental neglect or parental mishaps or illness) or lack of a home had led them into the care of the local authority.

Since then, as the eighth report shows (HMSO 7s.), the trend has been the other way round. The number of juvenile delinquents has risen year by year, and the increase is reflected in the number of admissions to approved schools. On the other hand, an increasing awareness of the harm done to children by removing them from their own homes, and of the high cost of maintaining them in children's "homes" (the weekly average is only £1 3s. less than in an approved school), had brought the total of children in care down to 61,729 by March, 1960 (compared with 65,309 in



November, 1953) in spite of the larger number of babies, legitimate and illegitimate, who are being born. Greater efforts are now made by local authorities to prevent the breakup of families by eviction; more children taken into care are boarded out with foster parents (at an average cost of £2 2s. a week); and the tendency is to provide more small "family homes," taking not more than twelve children, and to close the old institutions. Even when a child's offences have led him into an approved school, he is encouraged and helped to maintain his ties with his family. Throughout the children's service it is more widely realised than it used to be that to place a child in the charge of the state does not, and should not, mean his total uprooting.

ARGENTINA

The Dog It Was

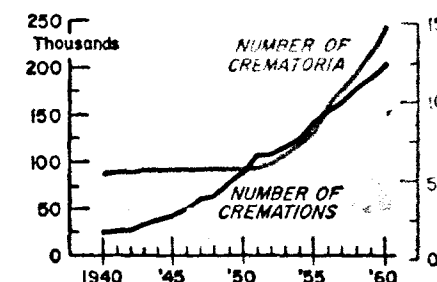
ABOUT a year ago, President Frondizi defeated a group of army revolutionaries by beating them to the radio transmitters. During the pocket-sized revolt that mildly disturbed Buenos Aires in the early hours of last Saturday, August 12th, a tiny group of air force officers seized control of the city's radio station and telephone exchange, but gained nothing from it. For an hour or so, their call to revolution thundered over the air to the sleeping Argentinians; then, quietly before breakfast, the rebels gave themselves up to the police. Their performance was an absurd shadow dance of revolution; even so, subsequent events show how vulnerable the government still is to military pressure. The minister for air ordered the house arrest of the air force commander-in-chief for not punishing the rebels severely enough; but it is the minister, not the commander, who has now resigned.

Most Argentinians have no time and less sympathy for turbulent military officers; *golpismo*, the habit of *coups d'état*, is out of the mode. But President Frondizi's own position has always been the more hazardous because of his debt to the Peronistas, who, on a misconception, helped to elect him president in 1958. For a long time afterwards, the disillusioned Peronistas monotonously returned blank votes. It has been an encouraging sign of a new forward look in Argentina that the blank votes have diminished in recent provincial elections. Moreover, with congressional elections coming up next March, President Frondizi's party has been gaining ground.

But the government's outlook is marred by its economic perplexities. President

DUST OR ASHES?

Cremation was pronounced legal in 1885 and since then there have been over two million cremations in Great Britain, three quarters of them in the last ten years. The percentage of cremations to total deaths has risen from 3.8 per cent in 1940 to 34.7 per cent in 1960. The tremendous increase in the number of crematoria since 1950 has reduced the expense which was incurred in travelling considerable distances to a crematorium; cremation is now slightly cheaper than burial.



Frondizi and Dr Alemann, the new minister of economics, have started to try to cut away some of the dead wood that has choked Argentina's economic growth for many years. First on the list for trimming and modernisation are the calamitous state railways, which, after years of neglect and procrastination, are run on an immense yearly deficit. For industry, foreign private investment comes in steadily, and massive international loans may provide for Argentina's two most pressing needs, housing and roads. But exports are doing badly; a poor harvest may halve grain sales this season, and the meat trade is in persistent trouble. Prices, which have been fairly well under control for the last year or so, have begun to rise smartly, and, although the railway unions called off their threatened strike, other trade unions are twitching into angry life. More skilful revolutionaries than last Friday night's radio amateurs might yet be able to crystallise the separate factions of economic and political discontent.

PAN-AFRICA

Solid Black

AFRICA is developing an impetus towards unity unexpectedly quickly. Except for South Africa, the Sudan, and the Congo, virtually all the independent African states are now committed to schemes of close co-operation, though not all to the same scheme. There are even signs that the ideological division between the "Casablanca" and "Monrovia" groups of countries may yet be bridged. The Casablanca group (Ghana, Guinea, Morocco, Mali, the United Arab Republic and the

Algerian government-in-exile) has decided to form a common market, an economic development bank, a council of economic unity, a joint air and shipping line, and, eventually, a political union.

The Monrovia group has twenty members drawn from most of French-speaking Africa, plus Nigeria, Sierra Leone, Tunisia, Libya, Somalia, Ethiopia and Liberia. It has rejected the idea of political links, but is in the midst of a series of businesslike discussions about almost every form of co-operation. The most recent meeting, held at Dakar, produced a list of intentions similar to the Casablanca group's list—including the formation of a common market and an economic development bank. Eleven of the member states already own a joint airline, *Air Afrique*, and are urging the others to take part.

It is becoming fashionable to deprecate this division into two camps, and talk of uniting everybody. Ghana has concluded a customs pact with its neighbour, Upper Volta, even though it belongs to the other group. The Nigerian prime minister calls for co-operation between all African states; his new foreign minister, Mr Jaja Wachuku, believes that political unity is, in the long run, inevitable. Gambia, approaching independence, may form a small link between francophone and anglophone Africa by joining Senegal. Mr Nyerere of Tanganyika, a pan-African himself, refuses to commit himself to one existing group or the other. Mr Modibo Keita, of Mali, is said to be looking for a way of attending meetings of the Monrovia group while remaining a member of the Casablanca group. Dr Nkrumah's hope of continental unity may one day turn out to be more than a flash in pan-Africa.

The Economist

AUGUST 17, 1861

TESTING TIME FOR AMERICA

THE fact is, the Americans are a wholly untired people;—and till people have been tried, no one can pretend to say what they are, or what under any given circumstances they will do. They have never been tested by any great difficulty, any great danger, any great calamity: they have never been called upon for any sustained effort, any serious sacrifices, any prolonged endurance. They do not know, therefore,—nor do we—the possible reach of their virtues and their powers, nor the possible range of their vices and their weaknesses. They have never yet faced a really formidable foe. It will astonish and disgust them to be told this; but it is the simple truth. . . . We are in equal uncertainty as to American Statesmen and American Institutions. They have never been tried in a storm before, and no one can tell how they will stand the strain. The leaders in Washington's time were gentlemen and men of education. The institutions in Washington's time were free, but not democratic. Since that time the country has gone through a course of unexampled and uninterrupted prosperity—demoralising assuredly, though not enervating. Laws and manners have changed to a degree

which few persons have yet fully realised. The constitution has become an almost unmitigated oligarchy. The masses are everywhere omnipotent; and the masses in most parts are only half educated, and in many parts are as ignorant as those of Europe and far more ruffianly. The men of thoughtful minds and lofty purpose, the men of noble sentiments and stainless honour, have retired from public life; and, naturally enough, as the work of politics became dirtier and rougher, have left it to dirtier and rougher men. The consequence . . . has been that the Rulers and Legislators of the United States are, almost without exception, either the vulgarer and shallower men of the nation who share the popular faults and passions, or cleverer minds who flatter and obey them without sharing them. . . . Now, how can such men be expected to meet a crisis like the present—a crisis which might try the ablest and the noblest spirits that ever directed the fortunes of a great country? . . . Moral courage is more needed at Washington now than any other political virtue—the moral courage to speak unpopular truths, to face popular rage, and to resist popular delusions.

LETTERS

European Venture

SIR—All sensible Germans were pleased by the Prime Minister's announcement of Britain's formal application to join the Treaty of Rome. My conviction of the monumental importance of this British decision is reinforced by what I learnt, in the years before the last war, of the character of the British Commonwealth. I feel confident the various hurdles will be taken. The older generation that still clings to national ideas of greatness will pass and give place to a younger generation eager, like my own sons, to live in a European commonwealth. British influence in the affairs of the European Community will in the long run become paramount. It will also prove wholesome: Britain has long experience in leading an unwieldy community, while Germans and French alike are inclined to pay pedantic attention to verbal accuracy and mathematical equality. The French have a good expression for it: *rage de perfection*. It will be nonsensical to fix beforehand every detail, every pound of cocoa, of butter, of meat, etc. Put the European commonwealth in the saddle, and it will soon learn to ride.—Yours faithfully,

W. R. G. VON TIRPITZ
Irschenhausen bei München, Bavaria

★

SIR—In your issue of July 22nd you repeat your frequently expressed arguments that any adverse effects on Hongkong and India could be adequately offset (and, no doubt, your conscience eased) if the United Kingdom could persuade western European countries to "share the burden" by relaxing their restrictions on imports from these countries.

I cannot speak for India but, leaving aside the curious economic implications of the phrase "share the burden," let us look at Hongkong. It is a fact that you are either unaware of, or choose to ignore, that the colony, as a dependent territory of the United Kingdom, has shared fully in OEEC liberalisations in recent years and, except for a few items in the case of France, now trades as freely with western Europe as does the United Kingdom itself. There is no further significant scope for relaxation that might partially offset the effects of intra-common market preferences or the even more serious effects of loss of preference in the United Kingdom even if it were legitimate to argue that the loss of existing rights in the United Kingdom could properly be compensated by the belated grant by others of rights at present improperly withheld. Perhaps Hongkong is over-privileged already, but that is beside the point.

You should also know that the European market is not such a glittering prize as you suggest, even before internal preferences take effect. You should not judge by the United Kingdom market. After four years and more liberalisation Hongkong's textiles exports to western Europe in the boom of 1960 were 1½ million yards of piece goods and £6 million of garments. India does not export garments to any significant extent and cannot in general compete with Hongkong, not to mention Japan, in piece-goods. What then are the prospects you hold out?

You may properly argue that joining the common market is so important to the United Kingdom that it is justified in sacrificing the existing trade interests of Hongkong and India, if that is the price. But it would be hypocritical to claim that the sacrifice can in any way be compensated by relaxation of import restrictions in Europe.—Yours faithfully,
J. B. KITE
Secretary, General Chamber of Commerce
Hongkong

In the Freezer

SIR—In your article you explain to your readers the way in which civil service pay is settled. The facts as set out by you are incorrect; it would perhaps be as well if I put them right.

You say "The award is arrived at by negotiation (based, in the case of the civil service, on the report of a pay research unit charged with finding out just how salaries in comparable outside jobs have moved). It is then passed to the appropriate minister for simple confirmation or rejection." An "award" is not arrived at by negotiation. An award comes from the Civil Service Arbitration Tribunal after the parties have failed to reach agreement. Awards have always been honoured by the Government and the issue of "simple confirmation or rejection" does not therefore arise.

If we take "awards" out of your statement it appears that you are suggesting negotiated settlements are "passed to the appropriate minister for simple confirmation or rejection." There is no doubt that in all the important pay settlements which have arisen in recent years Ministers have been consulted *before* firm offers have been made and have not been left as rubber stampers or purveyors of rejection slips.—Yours faithfully,
RICHARD HAYWARD
Civil Service National Whitley Council
London, SW1

["Award" was the wrong word; it should have been "recommended settlement."]

Teachers' Pay

SIR—The facts about the Burnham Committee and the policy of the National Union of Teachers are, you declare, "pretty dis-

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creditable" when understood. Before the facts can be understood, however, they have to be presented and the least creditable aspect of your recent comment on these matters has been your failure to do this.

At no point, for example, have you accurately stated the salary policy of the NUT or examined fairly the case presented by the teachers' panel in the Burnham negotiations, doubtless because this would have made it impossible for you to persist with your attempts to picture the NUT as a collection of flat-earth egalitarians. And, while it is flattering of you to apportion to the NUT the bulk of the blame for all that you consider wrong, it would be more accurate to record that the rejection of the Minister's demands was unanimous on both sides of the Burnham Committee.

To take another example, do you really believe that the row over the £5½ million is all about "shelling out an extra £100 annually to estimable but preoccupied young females for three to four years of their career"? Incidentally, remembering that the Treaty of Rome insists on equal pay, one cannot help being surprised that such a strong supporter of the treaty as yourself can be so violent where the pay of women is concerned.

Again, you compare the position of the honours graduate under the new Scottish scales and those proposed by the Burnham Committee without mentioning the factors which render such comparison of little value, but subsequently ignore the comparison which does make sense, that made by the Burnham Committee to show the Minister that he had not in fact offered English teachers approximately what the Scots had got.

In so far as salary policy is concerned, while you concede that the largest extension of education is a first national need and declare that teachers are "among the most important people in the country," and make reference to the size of the teacher shortage, your preference is strongly for selective increases in differentials. We take the view, however, that there must be a radical improvement in the status and rewards of the profession as a whole, and that because the basic scale is the main element in the salary of the great majority of teachers, this must be made an adequate basis for any superstructure.

The immediate point at issue, however, is the Government's interference in normal salary negotiations and the ramifications of what, it is suggested, are attempts to formulate some form of national salary policy. Your leading article, "In the Freezer," indicates some of the problems which confront the Government in this field; it also shows that teachers, civil servants, and others in public employment, are not the cause of cost inflation. But you do not explain why those who traditionally lag well behind in the movements of salaries and wages should be the Chancellor's chief victims. For them the freeze; for the private sector, exhortation. Surely an attempt at a

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national policy should be comprehensive if it is to be acceptable to those directly affected?

Bearing in mind that the Government has to try to implement its ideas in a democracy, it (and I think you) seems to have paid scant attention to the need to gain the co-operation of those concerned. The success of any departure from its own philosophy and practice so radical as the evolution of a national wages policy, must surely depend on the co-operation of employees and their organisations and the integration of existing negotiating machinery. But can anyone seriously pretend that the way the Government has handled developments in the past month gives any ground for confidence in this respect? You say that the Government hopes it may get by without breaking up existing negotiating machinery altogether. What hope can it have, at least so far as the education service is concerned, if it seems intent on relegating the role of the Burnham Committee to one of signing on the dotted line the edicts of the Minister?—Yours faithfully,
FRED JARVIS
National Union of Teachers
London, WC1

★

SIR—It is incorrect to suggest, as you do in the article "Sir David in the Pillory" in your issue of August 5th, that a cut of £5½ million in the proposed basic scale of £600-£1,200 "will not affect the majority of teachers who are above the basic scale already." You may have overlooked the fact that the basic scale figures are an integral part of the salaries of all teachers.

In a written answer, published in Hansard for August 4th, the Minister of Education has given examples of the salaries that could be paid within the overall increase of £42 million, instead of the £47½ million proposed by the Burnham Committee. One example is that of a good honours graduate who spent four years in full-time study and training, and who, at age 35 years, is the head of a department. Sir David's "possible salary" for him is £1,550, whereas the Burnham Committee's provisional agreement would give him £1,590. Another example given in the parliamentary answer is that of a graduate who spent three years in full-time study and who, at age 37 years, holds a post of special responsibility. Sir David's figure for him is £1,435 compared with £1,495 recommended by the Burnham Committee.

Thus, though the Minister has proposed cuts only in the recommendations of the Burnham Committee relating to the basic scale, leaving the recommendations on differentials untouched, these teachers would receive respectively £40 and £60 per annum less than under the Burnham Committee's provisional agreement, though both of them are in your words "above the basic scale already."—Yours faithfully,

A. W. S. HUTCHINGS
Secretary, Association of
Assistant Masters
London, WC1

BOOKS

Europe in Disintegration

L'Europe du XIXe et du XXe Siècle (1815-1870): Interprétations Historiques Vol. I (Parts 1 and 2)

Marzorati, Milan. British Distributors: Parkers, Oxford. 1,165 pages. £8 8s.

A CENTURY ago Europe was moving towards the high age of nationalism, which was to culminate in the three catastrophic wars that have since crippled it as a force on the world stage and swung the poles of power away from Europe. True, the idea that there was such a thing as a single European civilisation and culture was by no means dead. The Vienna settlement provided a framework whose structure lasted for half a century: the Holy Alliance, for all its reactionary elements, was based on the idea of a European family. Even the forces of change themselves—the liberal nationalism sparked off by the French Revolution—owed European allegiances beyond national bounds. And the more iconoclastic actors on the stage—Napoleon III and Bismarck—combined a desire to alter the European balance with a basic belief that some balance must exist. But though the concert of Europe played on, it was increasingly out of tune. On the fringe of Europe Britain wavered ambivalently, turning at times to help the progressive forces on the Continent that looked to it for leadership, at times rebuffing them and turning to serve its own narrower balance of power considerations or its broadening interests overseas.

All this contrasts strikingly with our own age, when great economic forces are pulling the European states together. Just as, at the apogee of European power, the European states were tempted to quarrel among themselves over the spoils, so eclipse has forced them to look to what they have in common. A hundred years ago Britain preoccupied itself with building up a strong and friendly Belgium against France or Germany; it now has as its first interest the consolidation of a strong and friendly France and Germany against the threat from Russia. The day when Europe would be eclipsed by the rising giants, Russia and America, which only prophets like de Toqueville then foresaw, has arrived.

The present period of European integration is therefore not a bad one to look back on the epoch of disintegration, and try to evolve a fair historical picture of it, free from the nationalism that has been a potent ingredient of historical writing about the period. "Interprétations Historiques" is an attempt to do this. The first two volumes, now published, cover the period 1815-1870; the next two, now in course of preparation, will describe the years 1870-1914; and two

more 1914 to the present day. The publishers are Italian, but the team that has executed the work is European. Four distinguished scholars, Professor Beloff of Oxford, Professor Pierre Renouvin of the Sorbonne, Professor Franz Schnabel of Munich and Professor Franco Valsecchi of Milan are the joint editors, while the contributors come from a wide range of European universities.

One function of the work is historiographical. It is to try to summarise the national historical writing that has been done, analyse its evolution and point to the lacunae and elements of bias. The work is in itself a formidable bibliography. But it also goes on to write history, looking beneath the surface at the social and economic features that the European nations had in common and placing the political history of the powers in a European setting. Collective history of this kind inevitably has its strong patches (like Professor Valsecchi's masterly political analysis) and its weak ones; it obviously cannot have the power or unity of individual works of genius. The search for common European features can end up in vagueness. In the chapter on geography, for instance, Jean Gottman rightly and inevitably finds it impossible to define what Europe is. Europe is a conception, but it is one whose cartographic meaning is constantly in flux.

Yet this enterprise is an illuminating contribution to the historical reappraisal that is going on all over Europe. And the first volumes throw up revealing lessons in both comparative history and historiography. For instance, the difference in the political history of Britain and the Continent owed much to a major fact of social history: that Britain, unlike the Continent, had no class of peasant proprietors. In historiography, Professor Asa Briggs's short essay on British writing, for example, points out some inviting avenues for British historians and some vast gaps to fill. There was the long tendency to concentrate on political history—with its Whig and later Namierite interpretations. In economic history there has been little between Sir John Clapham's all-embracing factual picture and the crusading of the Hammonds. The gulf between historians and economists has encouraged economists—when they have got to grips with the British nineteenth century—in a damaging preoccupation with short-term trends. The limitations of a conventional national viewpoint have encouraged complacency and made analysis incomplete.

One looks forward with curiosity to see how the team find common ground in the far more controversial arena of the last ninety years. How will they deal with the responsibility for the last world war? How

will the historiographers deal with rogue elephants like Mr A. J. P. Taylor? The task is an exciting one, which will become progressively more difficult and also more rewarding.

Fardells to Bear Administrators in Action

By F. M. G. Willson.
Allen & Unwin. 350 pages. 35s.

THIS pioneering and stimulating, if rather prolix, book by Professor Willson is the first of a series coming from the Royal Institute of Public Administration. The scope for such a collection of case histories, particularly when drawn from local government, the nationalised industries and welfare services, is virtually limitless. Not only has very little research been published (or even done) in this country; the type of problem that invariably comes to the public attention through newspapers, adjournment debates and the occasional *cause célèbre* is an unreliable guide to day-to-day administrative decisions. Political attitudes, not least towards the social services, can become highly coloured through popular ignorance of administrative working. Professor Willson's five studies do not necessarily show the departments and officials in the best, or most successful, light, but they do demonstrate what they may have to contend with. The weaknesses of the system itself, rather than human failings, are the more readily apparent for correction.

Only one of the present studies, concerning the institution of clearing arrangements with Spain in 1935-36, is directly located in the higher reaches of Whitehall. It tends to raise rather more questions of inter-departmental procedure than the recorded evidence gives answers to (it would, for example, have been more valuable had it offered precise details on the relations between the Treasury and the Bank of England). The other four are in much less fashionable offices: precisely the places where the ordinary citizen, or local government officer, could find himself. Here the lessons are valuable and, occasionally, striking.

Coventry's prolonged skirmish with the ministerial and commercial interests involved in moving the borough's wholesale vegetable market (1949-55) illustrates some fairly familiar problems of town planning and exchanges with the central authorities. Professor Willson regrets (rightly) that the details of local political influence in the decision-taking are lacking. But the study shows up very well the primacy of the town clerk's office and the appalling gap between the aspirations of the experts (who were allowed to run unchecked for too long) and the financial realities embodied in the finance committee. It also throws some very suggestive light on political tactics within Private Bill procedure that deserves to be followed up in future research.

The one case in which Professor Willson is unduly sparing with his narrative is on the

human side of the South-Western Electricity Board's introduction of machine accounting (1948-57). The influence of changes in staff morale is fully evident: the problem almost halted the process of rationalisation at one stage. More information on the working-out of this struggle between the "revolution from above" and the human resistance would have been useful. But very little could be spared from the saga of "Jim and Vera Fardell" and their brood, which is likely to become a classic of its kind. The astonishing cost (in man-hours as well as in money), strain and perplexity incurred by welfare officials in "Templeton" by one unruly and feckless family would be almost unbelievable, were it not (in some, if not all of its aspects) a sufficiently frequent occurrence.

The family's marital and financial troubles lasted seven years (1948-56). The point about the "Fardells" is not that they were entirely indigent, or that the multitude of officials with whom they had dealings were unsympathetic. They were a couple who, while giving every impression of mental and moral deficiency, demonstrated an instinctive ability to get the most out of the local officials, social services and private charities, and of knowing how close to the wind they could sail in doing so. At the end the wife, divorced, evicted and her six youngest children in public care, has "recovered her *sang froid* (if, indeed, she had ever lost it more than momentarily)" and goes off to get married again. A plethora of welfare workers has done its best with bluff, genuine care and a little bullying, to no avail whatever. It is a relief to find small-town administration so patient and humane. But is there not a case for putting this category of impossible families into the hands of a small team of special social counsellors, and thereby saving the time of housing committees, assistance boards, rent collectors, children's officers, health visitors, school attendance officers *et al*—who are not only otherwise overworked but liable to act at cross purposes?

Church of Charity

The Charity Organisation Society,
1869-1913

By Charles Loch Mowat.
Methuen. 200 pages. 25s.

IN one of his more lyrical passages Charles Stewart Loch, the grandfather of the author of the present book, described the Charity Organisation Society as a church rather than an organisation. It was founded upon a religion; it gave a purpose to life; it recruited a vast army of helpers; and though much of its work was "invisible" to the public, its corporate organisation, visible enough, was "peacemaking" and "unifying."

Loch himself would certainly merit a place as the St Paul of the "church of charity." He was secretary of the COS from 1875 to 1913. This was not only an exceptionally long tenure of office; in addi-

tion, the years which it spanned were years of profound economic and social transformation. By 1903 when Loch set out the ideals and practical tasks of the COS in this lyrical way he was at least as controversial a figure as St Paul ever was, and his "church of charity" was both strongly attacked from outside and undermined from within. The views with which it was popularly identified—theories of poverty as well as conceptions of charity—had been challenged by both empirical sociologists and practical politicians. The COS had clearly passed the peak of its influence, and the doctrines that had once seemed so new had become archaic and irrelevant. Today many of them seem repugnant. Instead of thinking in terms of a "church of charity" we think in terms of a "welfare state."

It says much for Professor Mowat's quiet and unobtrusive skill as a social commentator that his brief account of the COS never jars. He has generous sympathies, but when occasion demands it he can be shrewdly critical. He shows how the staunch individualism of the COS produced at one and the same time exaggerations of doctrine and a genuinely pioneer attitude to social case-work. He does not shirk the moral (and social) issues arising out of the COS's concentration of attention on the "deserving" poor, nor does he overlook the many charges made at the time and since that it was patronising in its approach. He might have been more vivid on the London background and more penetrating in his probing of the "new Liberalism," but everything that he says is neat, economical and accurate. His book is a useful contribution to the history of welfare, and should be of interest to social workers and historians alike.

Republished Economics

Essays in Economics

By Ely Devons.
Allen & Unwin. 203 pages. 25s.

QUITE a few economists have recently assembled some of their articles and lectures and reprinted them in book form. This has the advantage of making useful work readily accessible to those who lack good libraries. From the point of view of the author it also has the advantage that he can add an extra book to his list of publications without much effort. The trouble is that this can be a bit too easy if the author does not bother to revise his work.

In the present case Professor Devons has made no effort to bring his essays up to date. Where, in the original, simple illustrative statistics went up to 1955, he has left them there. The first two essays contain a good deal of repetition. To add insult to injury he has added a postscript to one of them on "the points I would try to cover if I were rewriting the paper". Why didn't he rewrite it? None of these papers is so fundamental that the text needs to be preserved inviolate in order to facilitate its critical exegesis by future historians of economic thought.

This is the only complaint, however. Some of the essays are rather slight, but they are all excellent. Most of them are aimed at the general reader rather than at the professional economist. The first two offer a splendid account of the nature of applied economics and the contribution which the economist can make to policy formation. Two essays on the use and abuse of economic statistics are written in a similar vein of healthy scepticism. Although Professor Devons does not put it this way, he would probably agree that much of useful economics is merely negative knowledge: the economist may assert few truths, but at least he avoids many fallacies. Thus one long paper explains why the necessity of economic planning in wartime does not demonstrate its desirability in peacetime.

One paper is a report on a major research effort—the construction of indices of wage-rates by industry. There are two other empirical papers of great value: one on various measures of the terms of trade; and one on the wage-price spiral, which shows that movements in the retail price level and its constituents in the early fifties cannot be explained in terms of a simple wage-price mechanism, since other factors have had significant effects. Both these papers would have been still more useful, however, if the analysis had been brought as up to date as the statistics allowed when this book was planned.

Local Government Overseas

Development from Below

By Ursula K. Hicks.

Oxford University Press. 564 pages. 35s.

IT is easy enough in Britain to take for granted an established system of representative local government that continues to function effectively in spite of changes at the centre. It is easier still to ignore the importance and potentialities of local government in countries that have come recently or are coming now to independence, where attention is focused on the dramatic transfer of power in the central government and on the national policies for development.

Local government is (or can be) very much more than an administrative extension of the central government for the provision of certain services that are more efficiently handled locally. If local government has any degree of autonomy in choice of activity and means and extent of taxation, it can give unique opportunities for widespread experience of the workings of representative government and training in financial responsibility, on scales that are not incomprehensibly or frighteningly large. Local government may also contribute directly to the country's development. By carrying out small-scale quick-yielding projects designed to meet local needs (such as the construction of local roads, markets,

drains, water supplies), local authorities can give communities a sense of purpose and participation in national development, which may be as important as the physical contribution of the projects themselves. This is of course one of the principal ideas behind the growing community development movement in India. This movement is largely separate from local government proper; the relations between them and the questions of how far they should and can be integrated are among the important and urgent topics discussed by Mrs Hicks.

She has made a stimulating study of local government in British, and formerly British, territories: India and Ceylon, the West Indies and West and East Africa. Although it is perhaps a pity that there is no comparison with developments in territories outside the Commonwealth, it is hardly justifiable to complain on this score about a book of 540 pages that already suffers from too much detailed material. Mrs Hicks emphasises the importance of first-hand investigation: she has confined her attention to areas which she has been able to visit.

The first third of the book is given to description, country by country, of the growth and present state of local government, with background information about conditions and general history. These succeed in stimulating the reader but not in giving him any adequately clear picture. It would, however, have been an amazing work of summary to press into this space a satisfactory account of even the present structure, let alone the history, of local government in a dozen territories (for instance, India is given 26 pages). It would certainly have required more introductory analysis and classification than are used here.

In the last two-thirds of the book Mrs Hicks examines and compares the activities of local governments as they are revealed by the financial records. She also considers many questions of finance itself—local taxes, grants from central governments and problems of accounting. To use the records of local finance to show what local governments are actually doing (as opposed to what they are empowered to do) and to insist, as she does, on dealing with specific local authorities rather than with averages or aggregates are both excellent ideas. But the financial information is used in surprisingly limited ways. For example, in the chapter on current expenditures the figures that are mainly used for comparisons between local authorities are the percentages of their total outlays spent on various classes of expenditure (e.g. on education: 19 per cent in Montserrat (W. Indies), 14-15 per cent in Poona and Bombay, 15 per cent on the average in Tanganyika, 43 per cent in Madi (Uganda), etc.). There is a point in comparing these figures, but for many purposes comparisons of amounts (in £s) spent per head would be much more useful. Moreover there is no comparison between the amounts spent per head or in total by local authorities and the amounts spent by

central governments for various purposes. Could not comparisons of this kind have been made even approximately, to indicate the relative importance of local government? This is something which the author has not, perhaps could not, put in. What she has given in this book, both in information and discussion of problems and methods, will be of great interest and practical use to administrators and others working in this field. She has whetted appetites: could she, please, add a bibliography?

Above the Law International Immunities

By C. Wilfred Jenks.
Stevens. 216 pages. 35s.

THE recently negotiated "Vienna Convention on Diplomatic Relations" has dealt with the important problems that arise in fixing the nature and scope of the privileges and immunities of the diplomatic staff of one state in the territory of another. Although this branch of international law has its roots in the regulated diplomatic intercourse of the ancient world, it has in quite recent times acquired a new significance, if only by reason of the great increase in the number of sovereign states. Dr Jenks, who as Assistant-Director-General of the International Labour Office is in an exceptionally favoured position to pursue the inquiry, has courageously undertaken the analogous but by no means

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identical, and in many ways much more difficult, task of describing the privileges and immunities that have emerged to protect international organisations in the carrying out of their functions.

Although there is no dearth of articles and a mass of material buried in the "United Nations Legislative Series, Legislative texts and Treaty Provisions concerning the Legal Status, Privileges and Immunities of International Organisations," Dr Jenks's work, in its scope and completeness, is in many ways a pioneer study. Furthermore, as he emphasises, it is not possible simply to apply the pattern of privileges and immunities that are accorded to diplomats. There are three major differences. First, the servants of an international organisation may be nationals of the very state in which they work, and against which they may most need protection. The problem hardly arises with diplomats, who can only be nationals of the receiving state with the latter's consent. Secondly, the servants of international organisations have no sending state, to the ultimate control of which they are subject. Thirdly, reciprocity, which is the ultimate sanction for the observants of diplomatic privileges and immunities, is of little assistance to international organisations. A relatively new branch of international law has, therefore, had to be worked out.

A "General Convention on the Privileges and Immunities of the United Nations," approved by the General Assembly in 1946, and a similar "Convention on the Specialised Agencies," approved in 1947, provide the basic pattern. Dr Jenks proceeds to examine in detail these and many other later agreements, dealing in turn with such topics as the reference of disputes over privileges and immunities to international judicial settlement; immunity of the international organisation itself from local jurisdiction; the status of its premises and archives; the degree of its exemption from the currency and fiscal law of the host state; the peculiar problems raised by international armed forces; and, in two important chapters, with a topic which Dr Jenks recognises as giving rise to "a certain dislike and mistrust"—the position of international officials. In the latter field exemption from taxation raises the greatest difficulties and lies at the core of much of the criticism. Dr Jenks describes the effort so far made to establish a system of taxation imposed on their staffs by the international organisations themselves; apart from a voluntary wartime contribution scheme of the International Labour Office staff, this dates from the Staff Assessment Plan applicable to United Nations personnel as a result of the General Assembly resolution of 1948. It would be interesting to know what these schemes mean in actual figures.

Within the limits of a highly technical subject, necessarily requiring examination of a bewildering number of agreements, Dr Jenks writes clearly and convincingly. If he shows (as perhaps in his treatment of the problem of judicial redress against

BOOKS

international decisions) a slight bias in favour of the international administrator, this is an understandable reaction against concealed national prejudices hiding behind the forms of international law.

*Cruiser Warfare**Command the Far Seas*

By Keith Middlemas.

Hutchinson. 255 pages. 25s.

THIS account of the campaign against the German warship raiders during the early months of the 1914-18 war is by a newcomer to the field of naval history; and as Mr Middlemas has the gift of style, and shows himself able to construct a clear and vivid narrative, his accession to the none too numerous ranks of writers with an understanding of naval strategy and operations should be warmly welcomed.

To those who lived through the second German conflict the consternation, bordering on panic, aroused by the depredations of the *Emden*, *Königsberg*, *Karlsruhe* and, above all, by von Spee's China Squadron, may seem surprising. For the actual losses they inflicted were small in relation to the total of Allied tonnage, and were soon to be vastly exceeded by the U-boats. Yet they did cause great dislocation to mercantile and military traffic, and they forced on the Allies a wide dispersal of strength at a time when the margin of superiority at home was slender. It is those ships, and especially von Spee's squadron, which occupy the greater part of this book; but Mr Middlemas also introduces an account of the escape of the *Goeben* and *Breslau* to Constantinople—which can hardly be considered to come within his chosen subject of the first phase of cruiser warfare. Moreover, although the author's exoneration of Admiral Milne, the Commander-in-Chief, Mediterranean, is reasonable, he should have laid more stress on the consequences of the series of ambiguous and sometimes contradictory orders sent from Whitehall (doubtless on Churchill's initiative) during those critical days.

The author seems in general to accept that the strategy "to seek out and destroy" the enemy raiders was the correct one, in spite of the fact that it contributed to Coronel. But the truth is that the traditional strategy of putting as much shipping as possible into convoy, and striking at the raiders' supply system, would have been more effective and more economical—as earlier history strongly suggested, and later experience confirmed. Nevertheless, the difficult dilemma that faced Admiral Cradock, and the misunderstanding of his intentions that arose in London, are here handled skilfully and fairly; and the actual fight off Coronel is brilliantly described. Then came the planning of the retaliatory steps in London, and the author is correct in attributing the credit for the timely despatch of Sturdee's two battle cruisers to the Falkland Islands to Churchill rather than to Fisher. The climax of his book comes with the battle of

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December 8th, 1914, when all but one of von Spee's ships were sunk; the only criticism here is that Mr Middlemas does not discuss why the greatly superior British squadron expended an enormous amount of ammunition before its purpose was accomplished.

Although Mr Middlemas's work is in general scholarly and careful, he should beware of the type of minor blemish which the expert reader will readily detect. Thus he several times confuses the First Lord of the Admiralty and the First Sea Lord; cordite is a propellant and not a high explosive shell filling; the points of the compass are sometimes reversed in his narrative; and as the *Hood's* turrets were of a modified type introduced to prevent a repetition of the disasters at Jutland her loss cannot be attributed to the cause stated in an ill-advised footnote. Nevertheless, we may look forward to another book from so promising a writer.

OTHER BOOKS

FACES IN SHEM. By D. van der Meulen. Murray. 206 pages. 21s.

Mr van der Meulen recalls people and incidents in the land of Shem—Arabia before the oil age—when, as Dutch consul (later minister) in Jeddah, he looked after Indonesian pilgrims on their way to Mecca. The characters he portrays include diplomatic colleagues, local bigwigs and littlewigs, King Yahya of Yemen, who was murdered in his old age, and the crown prince, the present King Ahmad, who succeeded him. Although of lighter weight than the author's earlier books, this one is distinguished, like the others, for its good descriptions, off-the-track information and telling detail.

KUNIYOSHI. By B. W. Robinson. Victoria and Albert Museum. *Her Majesty's Stationery Office*. 85 pages and 98 plates. 27s. 6d.

The greatest Japanese colour-print designers in the nineteenth century were undoubtedly Hokusai and Hiroshige. But they excelled in landscape subjects and neither could equal their contemporary Kuniyoshi in the realm of dramatic imagination. Among the hundred black-and-white illustrations in this book, it is in heroic scenes of combats, sieges, disasters and triumphs that Kuniyoshi's art shows at its best.

Marking the centenary of the artist's death, this book has been prepared by a member of the staff of the Victoria and Albert Museum, and many of the illustrations are of works in the museum's large collection. A study of his life is followed by some interesting notes on how to identify and date the extensive output of this vigorous designer.

PERSONAL DEDUCTIONS IN THE FEDERAL INCOME TAX. By C. Harry Kahn. Princeton University Press. London: Oxford University Press (1960). 266 pages. 40s.

This book is part of a broad study of the personal income tax in the United States being sponsored by the National Bureau of Economic Research. The question of deductions from taxable income is far from being purely technical; indeed, it is basic to tax reform. Although the income tax is the largest single source of tax revenue in the United States, only about half of all income is subject to federal tax because of the liberal view taken of deductions.

AN INTRODUCTION TO THE THEORY OF INTEREST. By Joseph W. Conard. University of California Press. London: Cambridge University Press. 395 pages. 60s.

An exhaustive review and assessment of the various modern theories of the rate of interest written by an academic economist with first-hand experience of the money market.

AMERICAN SURVEY



WASHINGTON, DC

Last Chance in Latin America

FOR the past fortnight a delegation, forty experts strong, from the United States has been working with its opposite numbers from twenty Latin American countries to write for the western hemisphere a Magna Carta of freedom and prosperity—

especially of freedom from the fear of communism. Perhaps appropriately, the conference has been held in a converted gambling hall at Punta del Este, near Montevideo, Uruguay. From this sober gathering of finance ministers the American press has made the issue personal by highlighting the contrast between the suave, flexible but resourceful Mr Douglas Dillon, Secretary of the United States Treasury, dressed in his neat business suit, and the picturesque Major Ernesto Che Guevara, the Cuban guerrilla "hero" who wears his jungle-green uniform and admits contemptuously that as minister of industry he knows no economics, only politics. Mr Dillon has staked dollars; Major Guevara, Cuba's revolutionary prestige with the masses.

But, though Mr Dillon has a private system for winning at roulette, it is doubtful if he has won much off Major Guevara. The resounding and comprehensive declaration has taken the shape outlined in the drafts in spite of 65 Cuban amendments. Yet it looks as if the Major has also succeeded in his object which is, against a background of growing internal difficulties in Cuba itself, to keep Cuba nominally in "the American family," from which he claimed it was being ejected by the alliance which was originally to include a reference to free elections in the text of its declaration.

The Alliance for Progress is the most finished programme of foreign policy devised by President Kennedy's gang of new frontiersmen from Harvard. It springs from the Eisenhower reaction to Castroism: for the previous Administration, guided by Mr Milton Eisenhower and Mr Dillon himself, organised the Bogotá conference last year and there pledged the \$500 million for social uplift which Congress hastily appropriated for President Kennedy to spend after the failure of the Cuban expedition had revealed even to Congressmen that Castroism would continue to challenge the United States in Latin America. But Mr Kennedy's men believe that they have fashioned quite a new instrument, able to engineer a highly delicate process—"controlled revolution." This is a form of social change that will outbid Castroism by pumping enough capital into the region to raise its growth rate from under 2.5 per cent a year (and in many areas complete stagnation) to the 5 per cent needed to overtake the explosion of population and to lift visibly the living and social standards of impoverished workers, peasants and tenant farmers; Puerto Rico, the United States commonwealth where income a head has risen from \$121 to \$600 in 10 years, is a model of what can be done.

The North Americans insist that this programme is no "Cuban bonus," stemming solely from the threat of communism to the soft underbelly of the United States, but a new relationship, requiring new attitudes on both sides. On the American side

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.

there is cash: \$20 billion over ten years to be provided in long-term loans rather than grants, but otherwise not incomparable, in purely economic terms, to the Marshall Plan for Europe. Of this total, \$1.1 billion a year is supposed to come from public funds in the United States; this would represent 20-25 per cent of total civilian and military foreign aid this year and can only mean that Congress is to be asked for more in the years ahead. The other \$900 million a year is to come in equal thirds from the World Bank and the Inter-American Bank, from American private investment and from Europe and Japan. These are only "guesstimates" and in the first year only \$1 billion is to be spent (\$394 million of which is from the money already voted by Congress). But Mr Dillon has said firmly that more than \$20 billion could be provided if the recipients would get themselves into such a condition that they could absorb it (thus torpedoing Major Guevara, who said that \$30 billion was the minimum).

But the Americans are offering more than hard cash. They have smothered their capitalist scruples about enterprises financed and operated by governments, for one thing. More important, they have undertaken to work for commodity stabilisation schemes which would underpin the prices of the tropical products and raw materials, on the export of which most Latin American economies depend. Specifically the United States, the largest consumer of coffee, intends to enter the International Coffee Agreement under which exports are limited by the Latin American and African producers of coffee. There are plans to set up a coffee fund, to which producers and consumers would contribute, to aid the countries which suffer the most from falling prices; more ambitiously, there are also plans to set up an exchange equalisation fund covering fluctuations in earnings from all Latin American exports of primary products; more cautiously, the United States is considering import quotas as a means of policing restrictions on exports. It has also promised to try to open the European common market to Latin coffee and other produce.

THE reciprocal ingredient on the Latin side is the pushing of belated reforms without which—North Americans now agree with Cubans—aid may actually worsen the situation instead of improving it. These reforms cannot be bought with money. True, money is to be provided for a drive to ensure that by 1970 all children are getting at least four years of education, to eradicate adult illiteracy and to supply low-cost housing by a combination of ingenious technical gimmicks and new credit institutions. Pressure for reform will also be stimulated as new industries create new jobs and agriculture is (if it can be) "diversified," to use the hallowed word of all developers of the underdeveloped. But basically reforms turn on the willingness of the Latin American ruling classes to do two crucial things: first, to accept progressive taxation well enforced; secondly, to submit to the break-up of the vast landed estates so that the peasantry can be provided with economic holdings. And such reforms further depend on the creation of incorruptible administrative machines to translate paper plans into grassroots action.

The North Americans hoped to achieve this by making the amount of aid dependent in some way on the progress of reform: no reform, less aid. Owing to Latin sensitivity to "intervention" (especially after Cuba) the idea was to set up an impartial commission of seven men to review plans each time a loan was applied for from the Inter-American Bank. It was, significantly, at this control point that the alliance-makers ran into trouble, which Major Guevara fostered very ably to Mr Dillon's discomfort. The large states (Argentina, Brazil, Mexico) declared that such a governing inquisition would infringe their sovereignty; the small states (notably Uruguay, Ecuador and Bolivia) complained that without it the big states would hog all the money by backstairs intrigues. The Americans wryly recall the same arguments over Britain's bitter opposition in 1947 to a strong Organisation for European Economic Co-operation. A compromise has been hammered out: a permanent panel of nine men, under the *aegis* of the Inter-American Development Bank, from which may be drawn teams of three men for advising on particular development plans, working with another three-man team drawn from a list of outside experts acceptable to the country concerned. Such screening is not to be compulsory and will only be advisory in any case, but the idea is that countries submitting plans which have been approved by six such wise men will enjoy the highest priority in their requests for loans to the IADB.

The White House is satisfied with this dubious compromise. However, while those which can submit good plans will get aid, notably the large states which might hope to reach the point of "take off" into self-sustaining growth, it looks as though those which cannot submit plans will also get aid just the same—to keep them away from Castroism. Thus there may be little discrimination.

EVEN so, the question remains whether either side can deliver its undertakings. President Kennedy has been fighting manfully, back in Washington, for his foreign aid Bill on which the \$20 billion depends. But, even if he gets his way, the prospects for commodity price stabilisation, which is nearly as important, look uncertain. For example, if Britain enters the common market, will not British tropical countries be preferred to Latin American ones there?

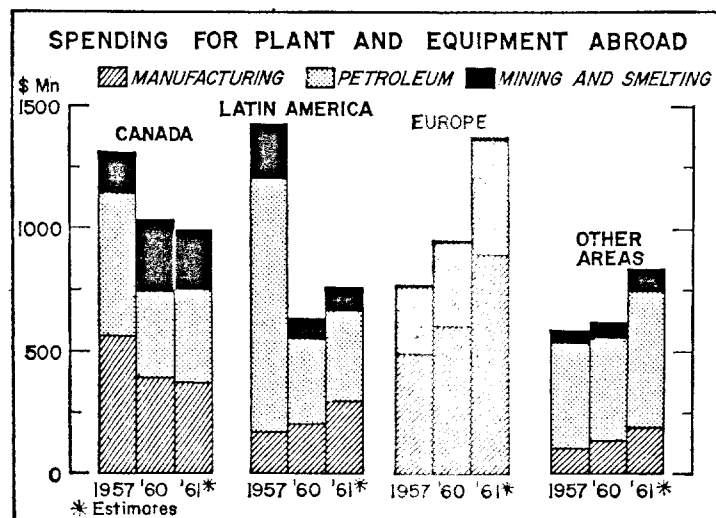
In Washington there is frank scepticism, too, on whether the luxurious Latin American ruling classes can be induced so easily to emulate the abdication of the British landed aristocracy after 1880. Not only do they hold 80 per cent of the land, but also they often control the Congresses of their countries and their degree of patriotism—and of faith in the future—is indicated by their deposits of up to \$10 billion in European and United States banks. They have blocked most reforms in most states for decades and it is doubtful if Harvard economists can induce them to change their ways. These Latin Americans may even retort that the North Americans are preaching many things that they do not practise wholeheartedly in the United States—control of interest rates, for example, a move from large-scale to small-scale farming, an end to tax dodging by the propertied classes and economic planning itself.

This is the gamble at Punta del Este. The United States Administration can claim that some reform has started in Latin America (for example, in left-leaning Brazil) and that even the English Magna Carta took time to become a reality. Moreover, Washington still hopes to strengthen the alliance by inducing Canada to join—and later the West Indian Federation and even an independent Guiana (to keep it away from Castroism). Experts from every country and international organisations as well as from the United States are to be on tap to create the development plans. Latin American liberals and professional people may be convinced by all this but who is going to evangelise the land-

owners? And what will happen if Cuba signs the watered-down text of the declaration, argues that all American revolutions, whether controlled or Castroist, are equal, joins the Inter-American Bank and asks for loans? In the longer run the Americans admit that Dr Castro has still plenty of cards to play.

Business Looks Abroad

AMERICAN businessmen are spending \$4.5 billion this year—20 per cent more than in 1960—on plant and equipment in other countries; according to the Department of Commerce they expect to spend about the same in 1962. This is nearly as much as in 1957, a record year because of the heavy foreign outlays of the oil industry after the Suez affair. But this year manufacturers are responsible for the rise, with their capital expenditures abroad far higher than ever before. Over half of these outlays are to be in Europe—unless plans are changed as a result of the trouble over Berlin—and the increase is most marked in the countries belonging to the European Economic Community, although total capital outlays in Britain by American



firms are still running above those in any other European country. Once Britain joins the common market, however, and brings its industry within that market's tariff barriers, then American manufacturers are likely to look as favourably as they used to do on the United Kingdom as a factory site.

In the long run Britain's membership in EEC is also expected to stimulate American exports, by stimulating demand in Europe generally, though to begin with it will involve some difficult readjustments and a substantial increase in competition. Moreover, United States exporters hope to benefit from the probable loosening of Britain's economic ties with the Commonwealth. Exports have been doing very well this year, running at an annual rate of \$19.8 billion, 4 per cent ahead of 1960, for the first six months as a whole; this explains in part why at the moment there is little concern over the effect on the balance of payments of the increase in investment abroad. But in fact much of the \$4.5 billion will come from retained earnings or local financing and will not enter into the international accounts of the United States.

These accounts still need to be watched, however, as the April-June statement shows, quite apart from any possible flight from the dollar which might be inspired should inflation reappear. In the second quarter of this year exports were lower than in the January-March quarter, while imports were higher—although the total for the first half of the year, at an annual rate of \$13.6 billion, was 10 per cent below the similar period of 1960. Moreover, the new

defence build-up itself, and also the extra push which it will give to the current economic recovery, are bound to increase the demand for foreign manufactures as well as for imported raw materials. Official efforts to promote exports are therefore being watched with particular interest.

The Export-Import Bank, which exists mainly for this purpose, has just reported very satisfactory progress for the year which ended last June. It did over twice as much business as during the preceding year, authorising 832 loans and guarantees amounting to \$1.4 billion to 85 countries. Of this total \$1 billion was for 75 long-term loans—project credits—to finance purchases of American capital equipment. The bank is still working on a scheme, with which it has had some difficulty, for making guarantees against commercial as well as political risks abroad available at business centres all over the country for short- and medium-term export credits.

Aid Cut to the Heart?

THE Administration and its supporters were full of confidence at the beginning of this week, the crucial one for the foreign aid programme since during it final votes are expected in both houses of Congress. Last week had ended with a splendid victory in the Senate which had rejected, by 56 votes to 39, the deadly amendment offered by Senator Byrd of Virginia; this would have required the President to apply to Congress each year for funds for development loans instead of allowing him to finance them over a period of five years by drawing directly on the Treasury. This is the heart of the Administration's programme, since the suspiciousness and stinginess of the congressional appropriations committees where foreign aid is concerned make it impossible to promise the long-term loans on which satisfactory development plans depend if Congress has to be asked for the money each year.

But to achieve this striking vote Mr Fulbright, in charge of the Bill in the Senate, had to buy Republican support by promising to accept an amendment which would give Congress some control over the way in which these long-term funds were used. The early part of this week was spent in trying to find a formula for this amendment which both the Republicans and the Administration could accept. The latter is far from enthusiastic about the outcome, the Dirksen amendment which was approved on Tuesday, but with luck, and if it is not used too vigorously, it may not do much damage. Reflecting both Congress's dislike of giving the Administration a free hand in money matters and its dissatisfaction with the way in which foreign aid has been handled in recent years, the amendment requires all loans of more than \$5 million to be submitted for approval to the foreign aid and appropriations committees of both houses; these would have thirty days in which to recommend that the Administration's authority to make such a loan should be cancelled by Congress.

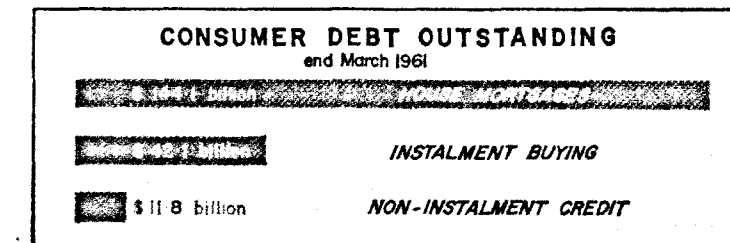
Senator Fulbright had worked for an overwhelming defeat for the Byrd amendment in order to impress the House of Representatives, always more distrustful of foreign aid than the Senate and particularly reluctant to give up its power over the purse by granting authority to draw on the Treasury. But the strategy did not work: on Wednesday the House broke away from the managers of the Bill, who had already offered to reduce to three years the period for which this authority would be granted, and denied it altogether—on the motion of Representative Saund, a naturalised member who was born in India. There is still a chance that this vote may be reversed; the President is presumably once again on the telephone to doubtful members as he is said to have been every day since the debate started. Meanwhile, however, the Senate has also got out of hand and has voted a cut of \$800 million in the \$8.8 billion authority for long-term borrowing and one of \$250 million in this year's \$1.8 billion for military assistance.

Interest in Debt

MORE than a year ago, Senator Paul Douglas and twenty-one senatorial colleagues introduced a Bill which would force those who offer hire-purchase agreements, or who make personal loans, to put to the customer in black and white the exact financial charges involved in the transaction. In a country which has never given the money lender the benefit of the doubt, the measure got a good deal of support; indeed, even its staunchest critics felt bound to applaud its intentions before proceeding to tear it to pieces. The Bill was approved by the appropriate Senate sub-committee but, since it lacked the backing of the Eisenhower Administration, it never got further than the in-tray of the full Banking Committee. This session the Senator, who has re-introduced his Bill, is batting on a firmer wicket; in a second round of public hearings the various arms of the new Administration have, with varying degrees of enthusiasm, pronounced themselves in favour of "truth in lending."

The sponsors of the Bill feel that the American public might be less abandoned in incurring additional indebtedness if it was aware of the cost involved. Since instalment debt outstanding (excluding house mortgages but including personal loans repaid on an instalment basis) has risen from \$2.5 billion in 1945 to \$42 billion today, these Senators believe that a little restraint would be a good thing. The Bill might also encourage consumers to purchase capital goods during a recession, when interest rates are lower, and to hold off during boom periods. But mainly the Senators are concerned for the simple consumer who is unaware (he never was much good at maths) of the very high cost of not paying cash and who might in any case get a better deal if he were in a position to look around for the most favourable credit terms.

The opponents of the Bill—the banks, the United States Chamber of Commerce, the finance companies and the retail shops—claim, firstly, that it is unworkable because of the endless time it would take to express a complex credit arrangement in terms of simple annual interest, as the Bill insists should be done. Secondly, they feel that a bald statement of the effective interest rate being charged would give no indication to the customer of the heavy expenses involved in hire-purchase transactions—checking a client's credit worthiness, collecting payments, covering bad debts and endless book-keeping. They are perfectly aware that a man who receives 3 per cent on his savings account may well balk at paying an effective rate of 15 or 20 per cent a year on his purchases but they feel that "buying now and paying later" has served the American public (and the economy) too well to be disturbed.



Undergraduates at Large

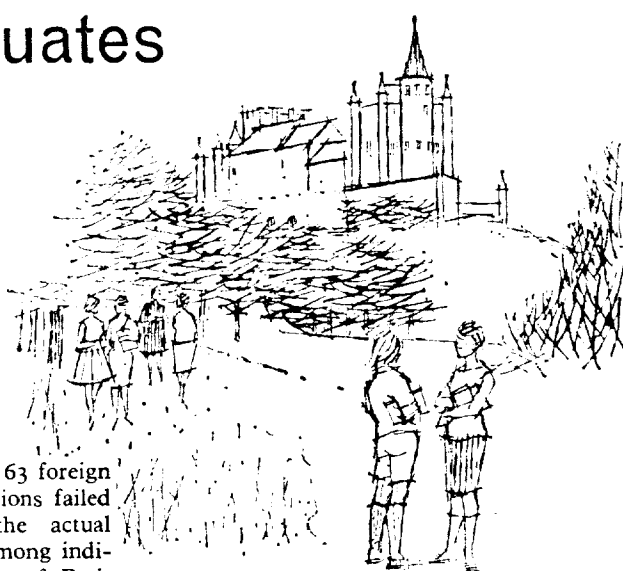
NEW YORK

THE annual migration of American students to colleges and universities abroad is large and growing. During the academic year 1959-60 the Institute of International Education—a voluntary organisation that administers several student programmes—found over 15,000 American students in 63 foreign countries but, since many institutions failed to return the questionnaire, the actual number was certainly greater. Among individual institutions, the University of Paris took pride of place with 1,500 Americans enrolled, followed by Mexico City College (1,000) and the University of London (500).

The majority of these students make their own arrangements and pay their own way but the number of organised schemes, offering either financial help or special facilities, has boomed since the war. Under the Fulbright programme the federal government has sent between 600 and 800 graduate students abroad in each of the last 14 years; private foundations have been expanding their provision for itinerant scholars; and the University of Maryland has set up facilities in a number of countries for American government employees, servicemen and their respective dependants. But at the moment the drive to send more and more students abroad is coming from a different quarter. Increasingly, American colleges and universities, particularly those for girls, are making provision for their students to spend a year abroad (or alternatively a term) as part of the regular course for a bachelor's degree.

The idea is not a new one—Smith College, a patrician institution in New England, has been sending its girls abroad since 1925—but in the last few years these isolated programmes have been joined by a host of others. By 1960 over 70 colleges had arrangements for foreign study, and many more are considering the idea. By 1962 Stanford University (in California) expects to have no less than a third of its 5,500 students abroad.

Different colleges have different ideas about the form that this period of foreign study should take. At present the most popular variety is the Junior Year Abroad, a twelve-month programme in the third year of the usual four-year degree course; among the most notable *alumnae* of this year abroad is the present First Lady. At this point in his college career the American student is thought to be on a par with his foreign counterpart (who has usually had a longer and more intensive pre-college schooling) and is presumed to be sufficiently mature to withstand being let loose in a strange society. Again, the programmes differ widely in the extent to which the student is "exposed"



to foreigners in general and to foreign educational methods in particular. At one extreme, Stanford has established what amount to branches—in Stuttgart, Florence, Tours and Tokyo—where the American students live together and are taught (with the exception of languages) by an all-American staff. At the other extreme are the programmes of Wayne State University and Fordham which probably come closest to the traditional pattern of studying abroad.

In general the schemes offer some sort of compromise between an American education on foreign soil and a foreign education. They usually arrange for the students to live with local families (an arrangement that often does more to reassure parents at home than to provide much in the way of actual family care and protection). The academic diet consists of a mixture of special courses given as a rule by locally-recruited teachers and regular courses at the local university. And the programmes usually have a resident American director responsible for the academic and moral welfare of his flock. Paris is the most popular centre but students are now being dispatched annually to most of the countries of western Europe and, more recently, to countries in South America. Because their facilities are overcrowded British colleges and universities have so far resisted this type of infiltration.

THE whole idea of allowing (or encouraging) students to go abroad during their undergraduate training is arousing a good deal of discussion in academic and other circles. Many people feel that the Junior Year Abroad cannot be justified on scholastic grounds. The disruptions of being transplanted to foreign soil (and the almost equal disruptions of readjusting afterwards to American college life) usually outweigh any academic advantages. Moreover, the courses available to American students in foreign universities do not as a rule fit well into an American curriculum and (though this varies widely from one programme to another) the quality of the special courses provided is often well below those obtainable at home.

A serious problem arises because an American degree depends less on final examinations and more on credits for attendance and on marks given throughout the four years. Hence, the work done at a foreign college must somehow be converted into American academic currency; in most cases this can only be done in a very rough and ready fashion. Many of the students who go overseas in their third year say they have to work exceedingly hard in their fourth in order to catch up; others stay abroad and abandon their American degree.

The usual justification for the Junior Year Abroad is that the benefits of living in a foreign country outweigh any resultant loss in scholastic input. People in the academic world are divided on this. Most of them would much rather see students go abroad after they have graduated. But this overlooks the fact that relatively few of them will in practice be able to persuade their parents to support yet another year of schooling or to secure a fellowship. Even so some teachers would prefer to keep students on home ground and would encourage instead both travel in the summer and the provision of more grants for post-graduate study in foreign parts. Others approve of the year abroad for girls, who are likely to marry at an early date and are less likely to do post-graduate work, but not for men, who must depend more on their academic record.

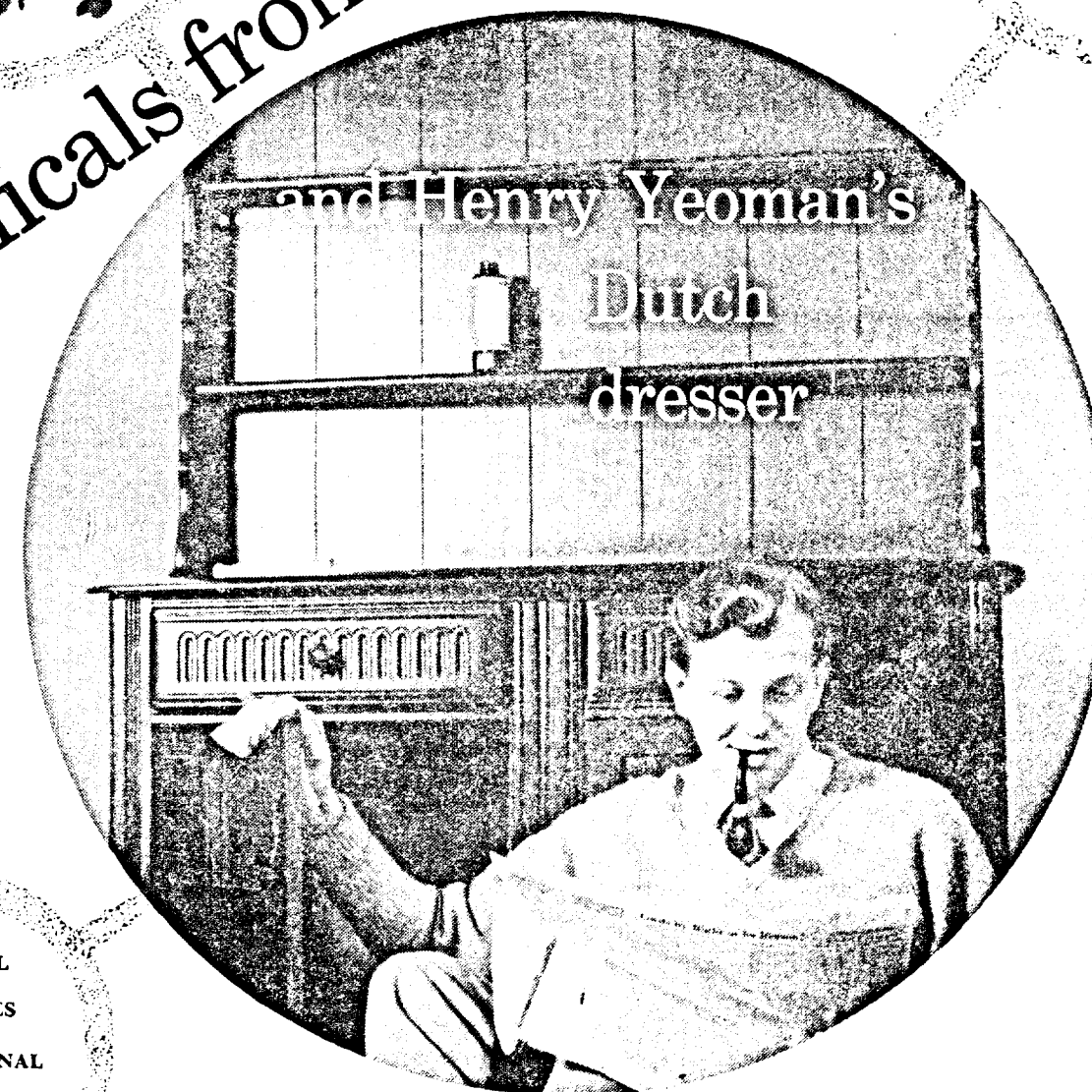
But whatever the professor may think, the Junior Year Abroad is certain to grow in popularity. Students are strongly in favour of it and, since it costs little more than a year spent at an American college, so are many parents. There is today a certain compulsion for colleges to make provision for students to go abroad if they are to remain in the swim. Some small colleges have instituted foreign programmes with an eye to attracting a higher calibre of student than they could otherwise do.

There is some anxiety that the growing flood of young Americans abroad may in time overwhelm some of the receiving countries. Partly this is a matter of the quality of the students. Some programmes select students carefully, restrict participation to those of high academic calibre and require considerable language ability. But others include in their numbers students who do little credit to the educational system of the United States and who spend more time grumbling about the plumbing than absorbing the local culture. In some countries there may in time be a problem over sheer numbers. American students are often using educational facilities that are already overcrowded and are government-subsidised.

It is generally agreed by those with an interest in the question that more should be done to make colleges aware of their responsibilities in sending undergraduates abroad and of the pitfalls in doing so. At the same time, parents should be given a better basis for judging the quality of the programmes that are being offered. This is a task that the Institute of International Education would like to have a hand in (if it can get the necessary financial backing).

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Looking Right Back

THE House Rules Committee decided recently that the John Birch Society was not worth investigating—the suggestion that it was came from two of its members who are also Congressmen—and the Attorney General of California, one of its main strongholds, has ruled that, while the society is “authoritarian, paranoid and often ridiculous,” it is not illegal. He describes it as a group

of wealthy businessmen, retired military officers and little old ladies in tennis shoes . . . bound together by an obsessive fear of “communism,” a word which they define to include any ideas differing from their own.

The society's recent offer of \$2,300 in prizes for the best essay on the “grounds for the impeachment of the Chief Justice of the United States” will not make people take it any more seriously. But there is incipient danger in its request to its members—it claims 60,000—to help to draw up complete and accurate files on the leading Comsymps (communist sympathisers), socialists and liberals in America. And these hints of reviving McCarthyism are accompanied by hints of reviving MacArthurism. Senator Fulbright and his staff have recently established that there is active sympathy in some military circles for the reactionary trends exemplified by the John Birch Society and a number of less publicised but perhaps more influential right-wing organisations.

Evidence of this sympathy first hit the headlines in June when Major General Walker, commanding an infantry division in Germany, was admonished officially for “taking injudicious action”—distributing John Birch literature, according to the charges—and making “derogatory public statements about prominent Americans”—calling President Truman “definitely pink,” it was alleged. At this point Mr Fulbright and others began to investigate and found that the trouble stemmed from a 1958 directive of the Joint Chiefs of Staff, approved by President Eisenhower, telling military commanders to explain both to their men and to the general public the issues in the cold war. This led to seminars, sponsored jointly by the military and local community groups, all over the country; frequently the main speakers came from one of the radical right-wing organisations. At many of these meetings discussions of world-wide communism were submerged in discussion of domestic politics; this gave openings to those military men who, like other reactionaries, equate communism with socialism, and the social policies of the government with both, and contend that internal subversion and official softness are a greater danger to their country than is external attack.

The President has now thanked Senator Fulbright publicly for drawing attention to this unconstitutional infiltration of the military into politics. Mr Kennedy indicated that the 1958 directive was being clarified to prevent abuses and in fact the Department of Defence has already instructed military men to avoid political topics in their speeches. As a result such right-wing Senators as Mr Goldwater and Mr Thurmond are complaining loudly about unjustifiable censorship.

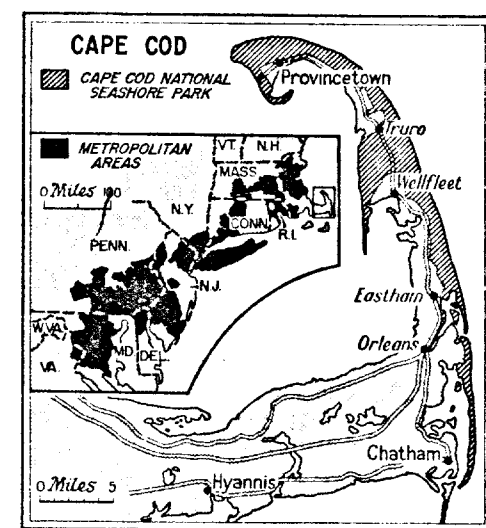
Park by the Sea

AUGUST, when half governmental Washington goes to Maine or Massachusetts and the other half wishes that it could, was a suitable month for Cape Cod, a uniquely beautiful summer resort, to become the first new national park since 1947. And Cape Cod was a suitable national park to begin the new series of parks and recreational areas which the Administration is planning; for the man who signed the final Bill first introduced it, as Senator Kennedy of Massachusetts, in 1959, and he is one of those who spends his weekends on Cape Cod, at the Kennedy family home near Hyannis. Moreover Cape Cod is a typical example of why more parks are needed and why it is urgent that they be established. With an expanding population increasingly anxious to “go places,” there

is an ever-growing demand for recreation, open spaces, scenic wonders, wild-life refuges; yet these are being steadily over-run by the houses and roads required to shelter and move that same expanding population.

If land is not preserved now in its natural state for parks and wildernesses, soon there will be no unspoilt land to preserve, particularly in the eastern part of the country where there are few national parks and a great concentration of people. A few days after the Cape Cod Bill was signed the Bureau of the Census announced statistically what everyone knew already: the whole east coast of the United States has become one huge metropolitan area with 32 cities and their suburbs, containing 31.5 million people in 1960, 17.5 per cent of the country's population, forming an unbroken belt of urban development from New Hampshire to Virginia. Super highways mean that all these people, and as many again, are within a day's drive of Cape Cod—and a large proportion of them make the journey during the summer months. The result has been a proliferation of bungalows, motels, hot-dog stands and all the commercialism of tourism; this is overwhelming the wild and lovely seashore, the beaches and dunes, the heaths and woods, the villages and ports, which the tourists come to enjoy.

Congress has now decided that the only way to save Cape Cod is to make 26,670 acres—the actual boundaries of the area were a matter of some negotiation—into a forty-mile long national park,



or rather a national seashore since some of the regulations applied to national parks will be waived. Shooting and fishing will be allowed and existing residents, more numerous than in other parks, will not be displaced for the present although some of their land may be taken over. The Park Service, famous for its efficiency, good taste and restraint, will be responsible for recreational facilities in the area and will control building on it and access to it once the land has been acquired. The Secretary of the Interior has power to do this by purchase, or condemnation if necessary, but Congress has not yet appropriated the necessary \$16 million.

While there are few full- or part-time residents of Cape Cod who are not zealous for the protection of its beauties, there are many who doubt whether the creation of a national park is the best way of doing this. The hard core of opposition comes from those who have been profiting from the recent development, which has brought an increase of 10 per cent a year in land values for the last ten years, a bonanza which is now presumably, over, in the area of the park at least. A national park is always in itself a great attraction and it is feared that this one will bring a huge increase in the number of one-day trippers who spend little or nothing on the Cape and make it unpleasant for those who stay longer and spend more. Moreover, some of these residents argue that the park authorities will be unable to resist the pressure of the increased number of visitors and will be forced themselves to litter the park with motels and other facilities. These people feel that they and the local officials were quite able to protect the amenities of Cape Cod by themselves. But most Cape Codders welcome the help which is now coming from the national capital for the preservation of what they consider to be a national asset.

THE WORLD OVERSEAS



Berlin Divided

FROM OUR SPECIAL
CORRESPONDENT



ABOUT two o'clock last Sunday morning, an hour when the west Berlin night clubs are going full blast, and when, in the east, the security police reputedly pay their less friendly visits, a strong east German para-military force moved up to the sector boundary between east and west Berlin. When Berlin awoke, the sector frontier was effectively closed and movement from the eastern side was at a halt.

The operation bore all the marks of careful preparation, political and military. The east German decree and the measures enforcing it carefully distinguished between foreigners, welcomed with a smile to go in and out of east Berlin, west Berliners allowed in and out after careful scrutiny, and east Germans and east Berliners against whom the frontier is now virtually closed. It was endorsed by a communiqué of the Warsaw Pact powers, which again made a sharp distinction between the need for measures in east Berlin and the right of access to west Berlin, which it acknowledged. The communiqué was published on August 13th but apparently agreed when the pact members met from August 3rd to 5th. Not long before, Marshal Koniev, who commanded the Russian forces in Hungary in 1956, had been appointed commander of the Russian troops in eastern Germany. The stage was evidently set when on Friday, August 11th, Mr Khrushchev told the western ambassadors in Moscow that he was leaving next day for a holiday by the Black Sea.

Militarily, the moves were equally systematic. The east German forces—a mixture of para-military people's police, frontier police and auxiliary factory brigades—hardly looked smart, but they were equipped with enough barbed wire, concrete road blocks and road digging equipment to seal the frontier completely, and this they did with the exception of 13 (later 12) control points. During the night heavy concentrations of tanks, armoured troop carriers and trucks carrying hoses and tear gas took up position at these and other key points just behind the frontier. Much of the 55 kilometres of sector boundary consists of canal or railway. Where it is not, and houses in the east face directly across the frontier, police have occupied basements or sealed off doors. Since Sunday a few bold spirits have hit the headlines by swimming canals or creeping through the wire at night, but they number only a few hundred altogether, and each day the barrier becomes more elaborate. Throughout the week columns of armoured troop carriers have cruised through east Berlin, making sure there is no repetition of the rising of June, 1953. There have been further troop movements outside west Berlin's boundary within east Germany itself.

Herr Ulbricht's coup is, as the West has seen and noted, a confession that the east German state has signally failed to win its

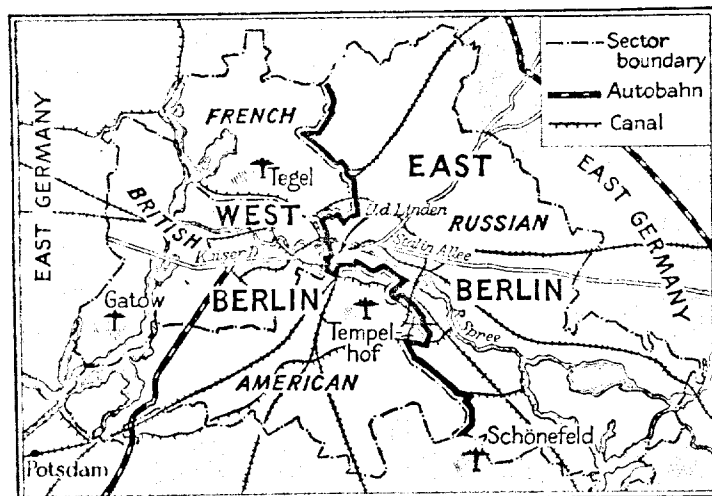
people's loyalty. Seen from the start as an imposition from outside, the Democratic Republic has carried the political vices of the communist state—the arbitrary justice, the social and economic pressures to conform—as far as they could be taken with the escape hatch still open. In economic reconstruction it had a far worse start than west Germany. Drained since of a large proportion of its most valuable working population (half the 2,600,000 refugees since 1949 have been under 24), no wonder it shows no signs of keeping pace with west Germany's expansion, let alone catching up (Herr Ulbricht's avowed aim). “We have failed to make a community,” one east German high-up admitted ruefully, in private, a year ago. Berlin, gateway to the richer, freer West, not only for refugees, but for news and the personal contacts which undermine the very basis of communist power, has been the yeast in the east German ferment.

For Herr Ulbricht last Sunday's measures thus had a defensive character, but to Berliners they looked like an attack. Despite the difference between the two halves of the city in currency, and still more in politics, Berlin, under four-power rule, remained one city to a remarkable extent. The 50,000 eastern workers who until last Sunday crossed each day to the west to work, and the 10,000 or so who went the other way, were only the most obvious element in a constant flow of people and knowledge from which only the politically prominent were excluded. Now, though the east Germans emphasise that west Berliners can meet their families in east Berlin, the chance of getting a breath of fresh air in the west is gone. West Berlin's economy and western ties are still untouched, but a blow has been struck at its morale, for if Berlin has been a thorn in Herr Ulbricht's flesh, its function of bridge between the two Germanies has also sustained the hopes of the Berliners. Only the hope of unity after all makes any sense of their weird island situation. It has been a nasty shock, in short, and both east and west Berliners first reacted by going to the new barriers to look and sometimes to protest and argue. But they soon found out that the authorities on both sides of the border were determined to prevent the situation getting out of hand. In the east, Communist party members in plain clothes moved among the people who tended to collect behind the frontier, asking them to move on. Twice this week they failed, and crowds perhaps three hundred strong were driven back from the symbolic Brandenburg Gate by people's police. On Monday west Berlin police did the same on the western side, pushing and persuading the crowd several hundred yards back from the gate.

Unable to act themselves, the west Berliners' feelings have turned in the direction of demands for counter-measures. Some, it is true,

who are increasing in numbers as the first shock passes, are beginning to accept that nothing can be done. But most feel strongly that unless the West retaliates in some way the eastern appetite will grow with eating. It is partly in response to this deep current of feeling—a feeling that is beginning to take the form of resentment against the western allies—that the west German government has been scurrying about demanding action.

Unfortunately, no kind of effective and helpful retaliation has yet been thought of. On Monday Dr Adenauer suggested a trade embargo on east Germany: next day the east German government replied that it would respond to such a move by cutting west Berlin's communications. On Tuesday the Berlin Senate considered removing from eastern administration the part of the elevated railway that runs through the west and setting up a separate western organisation: next day the east Germans cut off the railway's power for an hour, just to show their strength—though at a pinch, it is true, the railway could be supplied from power sources in the western sectors. Retaliatory measures may be limited to closure of



the tiny offices of the SED (communists) in west Berlin, a boycott by west German businessmen of the Leipzig fair and an ending of the currency facilities which enable west Berlin workers to work in east Berlin. All these measures look disquietingly like responding to the banging of a door by banging all the other doors in sight. Herr Brandt, west Berlin's governing mayor and the Social Democrats' candidate for Chancellor, therefore had a difficult task when he spoke on Wednesday to an impressive rally of perhaps upwards of 300,000 Berliners in front of the Senate House. He had little to offer in response to the popular demand for action. He got past the difficult moment well, explaining that he had written to President Kennedy that morning and that he had invited Dr Adenauer to Berlin—though if the Chancellor's visit next week is marred by the kind of electoral wrangling this week has seen between the two men, it will hardly help.

Only negotiation will show whether last Sunday's measures are to remain permanent and be followed by more. The signs on the east German side are not encouraging. The press of east Berlin is unpleasantly jubilant. Even the armoured columns patrolling the streets are wearing flowers—gladioli, for some reason—in their caps. When your correspondent called at the east German foreign office to learn its views, he was told no purpose would be served by talking now; the West had missed its chance to talk.

Whether Mr Khrushchev shares this view is another matter. But no neat, clinical short-run solution—a recognition here in return for a right there—can in itself still the anxieties of the Berliners, so sharpened by this week's events. That can perhaps only be achieved if there are signs that the world's statesmen are at last seeking a future for their divided country. As one Berliner put it, "We have already hoped too long."



Kenya's Search for Unity

FROM OUR CORRESPONDENT
IN NAIROBI

WHILE Jomo Kenyatta was under restriction in the northern frontier district Kenya's political future was kept on ice. With his tranquil and well-organised return to his home near Nairobi on Monday it is beginning to thaw. But what final shape it will take can only be conjectured. This is not so much because his own views are in doubt, as because it is far from clear who will come out of the inevitable political manoeuvrings of the next few months as the acknowledged men around Kenyatta.

Mr Kenyatta's views, so far as he revealed them to the 108 visitors he had during his four months idyll at Maralal, were universally reassuring. He would offer members of immigrant races equal rights as long as they considered themselves Kenyan citizens and demanded no special privileges. He paid respect to work done by the different churches and saw their role as increasingly important both in education and in social reform. Many times he told white farmers that they had nothing to fear as long as they were using their land productively for Kenya's benefit. He summed up his political philosophy in the Christian terms of "love thy neighbour," and this week, on his arrival at Gatundu, added expansively to inquiring journalists: "The world is my neighbour."

Until he is given an opportunity to put some of this admirable talk into practice (which can only come with the revocation of the order in council banning him from the legislative council) there will remain those who say that this is just fine talk covering a vindictive nature, and that he has left himself many verbal loopholes so that he can take tough measures against Asians and Europeans later on. But none of his recent visitors is numbered in this fearful group. There is slightly more concern that he is not yet prepared to condemn the activities of the Land Freedom Army, the extremist organisation of ex-Mau Mau detainees which was officially proscribed this month. But while excusing himself on the grounds that he did not know enough about their activities to pass judgment, Mr Kenyatta added that he condemned anything harmful to Kenya's interests. It can be hoped he will soon see that this group of violent-minded "irreconcilables," who according to official estimates number at most 2,000, must be checked.

The central problem in Kenya is not one of policies but of personalities. Not only have the two rival parties, the Kenya African National Union and Kenya African Democratic Union, to be united if tribal fears are to be dissipated; there are also many senior Kenya African politicians to be fitted into place on their release from restriction or their return from exile. Mr Kenyatta has loyalties to several of his old Kenya African Union executive members and other detainees now returning to politics. There is, for instance, Paul Ngei, who has already re-established himself as a leader of the Wakamba, a tribe important for its preponderance in the police and army. There is Achieng Onko, a young Luo who also stood trial with Mr Kenyatta at Kapenguria and could be his picked man in this trusting tribe if the other leaders, Oginga Odinga and Tom Mboya, take too individual a course. There is Joseph Murumbi, still in exile in London; Peter

Koinange, pioneer of the independent schools, who recently moved from pan-African work in Accra to the organisation of the pan-African Freedom Movement for east and central Africa in Dar-es-Salaam. There is Fred Kubai, the tough Kikuyu trade union leader on the last stage of restriction. All these men are looking for suitable places in the hierarchy.

The 37 African elected members of the legislative council, many of whom have made their way in the vacuum left by the detention of the Kenya African Union leaders, are understandably anxious about this challenge from the older generation. Their anxiety may be the prelude to some positive good: for it has made them eager at last to resolve the differences between the two parties and indeed inside Kanu. They know that if they cannot report news of unity soon to the old man at Gatundu, pacing round the muddy two-acre plot where he is still confined, he will rightly lose patience and look elsewhere for men to fill leading positions.

Last week, after many delays, the joint committee of the Kanu and Kadu parliamentary groups began "peace talks" under the unlikely chairmanship of the individualistic vice-chairman of Kanu, Mr Oginga Odinga. They have wisely surrounded their discussions with seven veils of secrecy and each evening's communiqué reveals little more than that the day's play was cordial. Although theoretically they are only concerned with further steps for constitutional advance, they are clearly discussing the form rather than the simple timing of a new constitution.

THE Kadu members, leading a minority party representing mainly pastoral tribes, began by wanting to advance to internal self-government, and if possible even to independence, without any constitutional conference which would need to be followed by elections. Nevertheless, they believe their prestige and electorate support have increased through their having broken the constitutional deadlock in April: their supporters, marching round Mr Kenyatta's house on Monday, sang songs claiming credit for his release, gained, they said, by their having formed a government. Kanu members, who honoured an election pledge by refusing to enter the government before Mr Kenyatta's release, are now quit of this promise and are anxious to take office at the first opportunity. Their terms seem to be agreement to hold a constitutional conference (probably in November) at which the date for independence would be set; advance to the cabinet government stage without a pause for the appointment of a chief minister; and the reorganisation of the administration into a caretaker rather than a coalition government, which would mean that ministries would be allotted more on an individual than a party basis.

Kadu's stand was much weakened by the resignation last month of the minister for tourism and forests, Mr Peter Marrian, in protest against Kadu's determination to seek self-government without a conference or elections. Since then the party's tactics seem to have changed. Its liveliest junior minister, Mr Peter Okondo, published a paper suggesting that Kenya should adopt the American system of the division of powers between the legislature and the executive and should elect on a qualitative franchise an upper house of elders having equal legislative rights with the lower house. This scheme would help minority tribes by offering a brake on the house elected by adult suffrage, but has little chance of acceptance: the pan-African tide is too strong for even Mr Okondo to swim against. Kanu can argue also that this is too large and too late a break with "the Westminster model."

Agreement has been so hard to reach that party leaders had to postpone a visit to Gatundu. Inexplicably (for they could hardly have abdicated responsibilities to this extent) the African party leaders this week invited members of the public to submit ideas for a new constitution rather in the offhand way that newly independent countries run competitions for a national anthem. This

adds weight to conjectures that the talks, if cordial, are getting nowhere. The idea has been resurrected of scrapping both parties in favour of a new one led by Mr Kenyatta. This would accommodate the senior detainees who have remained uncommitted and it would also provide the opportunity many politicians search for of jettisoning Mr Tom Mboya, whose many talents are vitiated by a knack of antagonising nearly all his colleagues. Aware of this, Mr Mboya has recently shown signs of being more co-operative and self-effacing, noticeably over the arrangement for American scholarships for Kenya students.

There are many pressures on the parties to reach swift agreement, not simply from the direction of Gatundu. Mr Bruce Mackenzie, the former minister of agriculture, now a leader of the Kanu parliamentary group, has been urgently to Bonn to try to salvage the half-promised loan of £4 million towards Kenya's agricultural development which the west German government has been on the point of withdrawing because of the lack of stability here. White farmers, wavering over whether to leave their Kenya farms, are approaching the decisive time in September, and are hoping for reassurance before then about their land titles, either from these party talks or from the subsequent conference with the Governor at which their interests will be more directly represented. Mr Julius Nyerere, with his eyes on an east African federation, is also prodding constantly.

If these economic pressures towards unity are reinforced by the greater weight of Mr Kenyatta's personal impatience, positive and happy results may come soon. Asked this week if he was confident of his ability to unite the parties, Mr Kenyatta wasted no words on reservations. His emphatic "yes" was perhaps the most cheering word heard for many months in a country that has floundered in doubt for too long.

Partnership Exploded

FROM A SPECIAL CORRESPONDENT IN BLANTYRE

The result of Tuesday's elections in Nyasaland is discussed on page 695.

THE ELECTION campaign in Nyasaland has finally exploded the pretension of the United Federal party to represent the best interests of all with a formula of "partnership" which has never been applied, or even believed in. The party's local leaders, who harped on the virtues of federation, have shown themselves not only inept, but hopelessly out of touch with the electorate. They were beaten before they began; and they knew it. Their despairing call for Sir Roy Welensky's personal appearance was ill-advised. It is doubtful if the half-dozen speeches he made, mostly to private audiences, swayed a single vote. He was preaching to the converted few, and his abortive intervention has damaged his prestige. There was nothing left but to cry "intimidation," and this Sir Roy Welensky duly did, with a threat that he might ask the British Government to postpone the election. But he refrained in the end from inviting a certain rebuff from London.

Most notable about the campaign was the quiet that prevailed throughout. Dr Banda decreed that there should be peace and calm; and there was. The Governor, his officials, and the police are agreed that there was no significant intimidation. It is true that an African who openly associated himself with the UFP would, in a psychological sense, incur the displeasure of the herd; but the same kind of group disapproval could be found in industrial England. Sir Roy made much of the burning down of a few African houses, but the police investigated and failed to discover a political motive. And no one has challenged the secrecy of the ballot.

The Malawi Congress party has made good its claim to represent the hopes and the clamour of African nationalism in the territory. The sleepy mountain capital of Zomba will soon be invaded by a score of black politicians, eager, friendly and terribly inexperienced. The new legislative council (28 elected members and five officials) is likely to meet within a month; but now that power is within their grasp the Malawi leaders will be more interested in the composition of the executive council, about which the Governor is required to consult with the party leaders. The Malawi Congress will claim the three from the lower roll as a matter of course; it remains to be seen how many more they will expect. Dr Banda is thought to be considering one of two posts for himself—the ministry of natural resources, in view of his known preoccupation with the development of the territory, or a new ministry without portfolio, which would leave him free for wider activities.

In Malawi eyes the two main issues in the election were independence and secession from the Federation. The two cannot be disentangled. Constitutionally, it will not be easy for Nyasaland to secede; the federal link cannot be broken without the agreement of others, but Dr Banda is more than likely to make his gesture by introducing a motion in the legislative council. The next step would presumably have to await the federal review which is due to take place in September or October, but may well be postponed until next year, when the two other territories will have held their own elections. But even if the very word "federation," in its present connotation, is execrated among nationalists, there would be some serious disadvantages from Nyasaland's point of view if the present structure were dismantled; and Dr Banda is not unaware of them. In recent months, with the prospects of political power ahead, his public utterances have shown a growing restraint. But if federation as an idea, at least, is not anathema to him, it would certainly not take the form of a partnership with the United Federal party.

France and the New Member

FROM OUR PARIS CORRESPONDENT

WHAT will France say to Britain's proposal to enter the European Economic Community? Among the questions that follow from Mr Macmillan's announcement of July 31st this is the one that seems, in London, to come first. There are obvious reasons why the British are suspicious about the reception they are going to get in Paris. The complicated Rome Treaty is in itself a compromise between the Continental free-traders and the Continental economic-unionists. France, which was the leader of the second group, may fear that Britain's accession to the treaty would alter the balance and water down the "unifying" safeguards. But the chief reasons for French doubts are political.

As everybody knows, no place was allowed for Britain in General de Gaulle's original conception of a European alliance of countries bordering on the Pyrenees, the Alps and the Rhine, a coalition which would be strong enough to keep up "with the Russians and the Anglo-Saxons" (as he said plainly enough in the third volume of his memoirs). If Britain were to be admitted to the community, France would no longer be the only member that also belonged to the more exclusive clubs of the great (and nuclear) powers. Moreover, British participation would strengthen the "Atlantic" features of the community and make it more difficult to adopt a policy diverging from that of the United States.

Although French experts admit all these reasons for gaullist reluctance, they maintain that an assessment based on them

neglects the more important realities. General de Gaulle, they argue, is a realist, as was demonstrated by his conversion to the European idea on his return to power. The French economy is now geared to the common market and the country's economic progress is the Fifth Republic's main success so far. General de Gaulle cannot, therefore, afford to wreck the European framework of this success, and he would risk doing this if he were to ask Britain for exaggerated concessions. French negotiators can resist British demands only by invoking the spirit and the letter of the Rome Treaty and even then only as far as they can carry their Continental partners with them; in other words, the French line cannot differ too much from that of the Brussels commission. Britain's bid for full membership has altered the bargaining positions from what they were in the last months of 1958, when the Free Trade Area project was defeated.

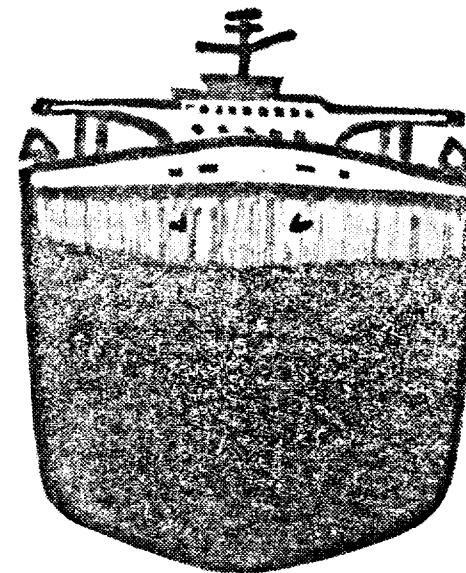
Influential French officials, who are both "European" and in favour of British participation, are convinced that a compromise safeguarding basic British interests and the spirit of the Rome Treaty can be reached, provided the negotiations do not drag on too long. To speed up the process, they suggest that the protocol could include some provisional clauses, providing temporary exceptions that would ease the transition for Britain. Discussion of the external tariff for some of the more awkward commodities might be put on a separate list, similar to the List G which accompanied the Rome Treaty. But the need for speed is emphasised, a year being given as the utmost limit if the negotiation is to be successful. Centrifugal forces would take advantage of any long delay, and there are people in Paris who think that the common market itself might not survive the failure of a serious attempt at negotiation.

The views of influential and knowledgeable Frenchmen about some of the matters to be negotiated are given below.

The European Free Trade Association.—The real question here is what can be done for the neutral members of Efta. As they argue the matter at present, the French do not seem to allow any place for neutral states in the European Economic Community system. Those members of Efta who are also members of the North Atlantic Treaty can, if they wish, follow the British example and apply to join the community. The three neutral members of Efta—Austria, Sweden and Switzerland—are, or believe themselves to be, prevented by their neutrality from taking this political step. The French argument is that, if this is their position, they must simply stay outside. It is claimed that this French attitude simply reflects that of Washington, which is prepared to accept that European countries should make tariff agreements at its expense only when there is a substantial political benefit to be shown. Pursuing this argument to its logical end, the French say that a formal association of the European neutrals with the European Community is apparently ruled out. The most they will suggest to meet the interest of these countries and the British obligation to them is that the community might establish an exceptionally low external tariff for a selected number of commodities that are particularly important in the foreign trade of the three neutrals. But this should be negotiated within the framework of the Organisation for Economic Co-operation and Development, where the United States is a member; and the benefits should be extended to all the members of that organisation.

British Farmers.—In Paris it is argued that the problem of farm prices is not as difficult for Britain as is often thought. Naturally, within the community the British farmer could not look directly to Whitehall for support. But his interests are not so divergent from, say, those of the French farmer; and if the community does evolve a common agricultural policy they will not be neglected. (An interesting study of comparable farm prices in the common market, Britain and the United States has been published in the July issue of *Etudes et Conjoncture*; this shows a great similarity between French and British prices.)

French experts, on the other hand, take a more serious view

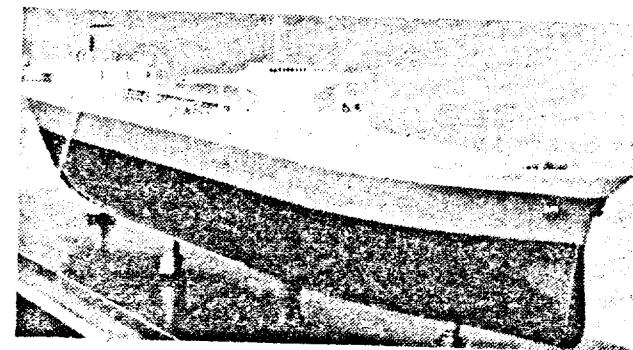


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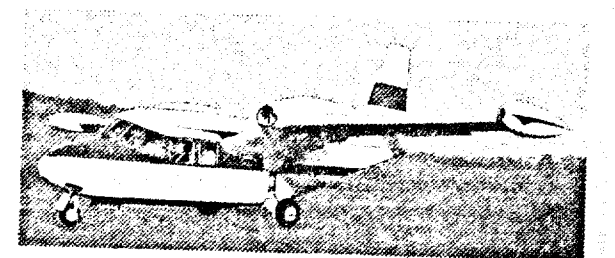
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Gentle Boost for Australia

FROM OUR CANBERRA CORRESPONDENT

than do some English economists of the immediate rise in British food prices that an alignment with EEC practice would cause. They think that a sudden rise in the food bill, even by a few per cent, would have an inflationary effect on wages and prices. A British proposal to dismantle the food subsidies only gradually has a good chance of being accepted.

The Commonwealth.—This presents the most complex bargaining problem, and its various aspects might, therefore, be subdivided:

(1) *Tropical products*: Britain's problems are quite familiar to the French, who are subsidising their former African colonies. They consider that a bargain can be struck between the two countries with African connections (Asian tea could also be fitted in), and that once it is struck the opposition might be between a Franco-British attitude on the one hand and that of their European partners on the other. The Netherlands is already questioning the right of the former French colonies, now formally independent states, to enjoy a privileged status. Another protest echoing the violent discontent of Latin American competitors is bound to come from Washington. But the French say that this cannot be helped. In the first stage, they hold, Europe must pursue its connection with Africa while the United States looks after Latin America. Only in the long run can one aim at an equalisation of preferential treatment.

(2) *Cereals*: Grain output within the common market is growing, not only in France and Italy, but in Germany as well. This growth is partly the result of rising productivity and partly of artificially high prices. The official intention is to establish a community price, computed as a weighted average of the prices prevailing in member countries. Britain's entry would weight the price heavily downward. It is argued that if the price is kept sufficiently low to limit the growth of production to genuine increases in productivity, total imports of grain into the common market should not be reduced substantially. The gist of the argument is that Britain should press for a reasonably low price; and that the sooner it enters the community the more influence it will have on the shaping of the common agricultural policy.

(3) *Dairy produce*: It is generally admitted that New Zealand presents a special case and that, since its exports of dairy produce are a matter of economic life or death, an exception should be made in its favour. One proposal is to include a New Zealand representative in a special EEC body that would define the policy for milk and dairy farming. But the exception must be limited to New Zealand and cover only dairy produce.

(4) *Industrial imports*: Here it is mainly a question of Canada's interests and the solution proposed is the same as for the neutral members of Efta: the negotiation, within the framework of OECD, of particularly low tariffs for selected commodities, such as aluminium, that are of special importance in Canada's trade.

A brief summary can do no more than indicate points of argument. The real detailed positions will emerge only as the negotiation proceeds. The French attitude will be affected by other factors besides gaullist political bias. French industrialists are not, on the whole, showing signs of great excitement. The *patronat* (the employers' federation) began by being violently opposed to the common market until it realised what could be done by deals with the Germans and other partners. There are those now who fear that the deals will be between the British and the Germans, but the mood of the big French firms is confident. Politically, British participation is popular. It is welcomed for different reasons both by those who still fear a *tête-à-tête* with Germany, and by those who hope that it will bring a reinforcement to liberal and progressive trends on the Continent. While in London the first question was whether the French would consent, in Paris the question most often asked is still: Are the British really in earnest?

As was to be expected, the Australian budget brought down last Tuesday is mildly inflationary, but not as inflationary as it would have been if the political future for the Menzies government did not look so unexpectedly bright. Manufacturers and trade unionists are still loud in their protests about the government-induced recession of the past year, and workless migrants have been rioting at one of the camps. Yet last month in Victoria, the very home of injured businessmen and disappointed migrants, the Liberal-Country party won a resounding victory in the state elections. It is very encouraging for the federal government which will no doubt go to the country in December, and in these circumstances the treasurer, Mr Holt, did not feel any pressing political obligation to be generous.

There is to be a deficit of £A16.5 million, compared with a surplus of nearly £A16 million last year. There will be increases in pensions, an overdue increase in the dole, and sales tax is reduced from eight and a third to two and a half per cent on most household appliances and furnishings. There will be money for some impressive sounding capital works, such as roads for beef cattle in northern Australia, the search for oil, and better railways. These projects, it is hoped, may cause Australians to take their eyes off present problems and to fix them once more on a glorious future. Yet confidence is slow to return, and the budget has been received without enthusiasm.

Many an over-expanded business is still licking its wounds, but there is more to the general uncertainty than that. The gloom of 1960-61 has been the greater simply because the confidence of the preceding year was so extreme. Faith in Australia seemed symbolised as an inexhaustible cornucopia pouring out motor cars, washing machines, television sets and so on; the check came as a great shock. The inebriated exuberance of 1959-60 will not easily return, and this is good in so far as the future of Australia depends on solving a number of problems about which there is no cause to be complacent.

Looking back over the past year with all its storm and stress, one might draw the moral that economic measures must be given time to work. In 1959 the treasurer budgeted for a deficit just as activity was rising anyway, and so a boom was engendered. This flourished in 1960 and caused the great upsurge in imports, pressing against quantitative restrictions, which the government, in February 1960, decided to remove. The budget of August, 1960, made plain the government's intention to crack the boom—or should have made it plain, but the message was wrapped in too many soothing words about prosperity. There was to be a rise in income tax of one shilling in the pound and a budget surplus of over £A15 million. Yet the boom was an unconscionable time a-dying. Imports continued at a high level, the reserves were running away and although, as is now evident, signs of a downturn were already there, the treasurer plunged into the harsh measures of November 15th. Of these, the plan to compel the life insurance offices to invest more in government funds proved impracticable and the rise of 10 per cent in the sales tax on motor cars proved too severe. So the economy has come jolting to the point where all the deflationary measures have been removed except for higher interest rates (belatedly introduced) and the ban upon bank advances for speculative purposes.

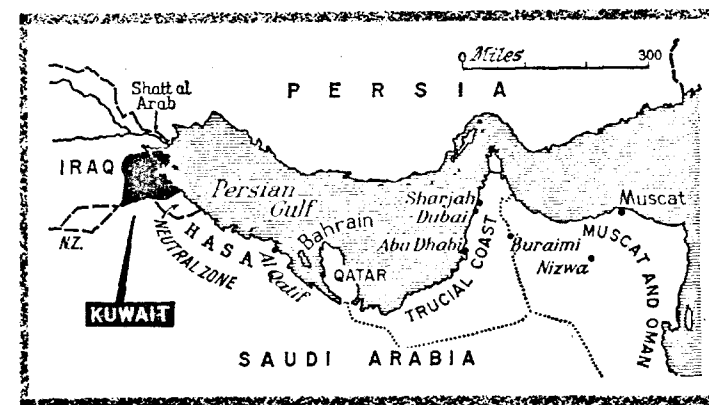
Looking to the future, one wonders how long, despite solid international reserves of £A570 million, it will take the balance of payments problem to return. But this involves long term questions about the future of Australia.

Sheikhs Seek Protection

FROM OUR MIDDLE EAST CORRESPONDENT

BEHIND the screen of romantic military operations in the desert recent events in Kuwait have marked a turning-point in British policy towards the Arabs of the Gulf, which could lead to a more healthy relationship between Britain and the Arab world generally. The Gulf sheikhdoms and those of the Aden protectorates are the last British footholds in the Middle East. From time to time their existence has poisoned exchanges between Britain and the independent Arab states, often to an extent out of all proportion to the real interests at stake. It is an open secret that, during the past few years, British officials concerned with Persian Gulf politics have disagreed about how to deal with the many anomalies that arise from treaties that were signed in the nineteenth century.

The view that prevailed until quite recently was that retreat was more dangerous than standing firm. The treaties governing Britain's position in the Persian Gulf, although concluded at different dates in response to different needs, were essentially of a piece. To disturb the pattern at any one point might, it was thought, provoke repercussions all along the line. While the exponents of this view conceded that many of the treaties had lost all bearing on real British interests, they held that at least one of them, the treaty with Kuwait, was of major importance. In other words, since all the arrangements in the Gulf hang together in delicate balance, nothing should be done anywhere to upset the Kuwaiti ruling family. An unspoken but awkward corollary of this view was the supposed obligation of the



British Government to defend the sheikhly rulers, not only against external aggression, but against internal upheaval as well.

Spokesmen for the opposite view argued that the archaic nature of the treaties, and of the ways of life that they helped in practice to perpetuate, caused the British Government an intolerable degree of embarrassment in the Arab world and elsewhere. The British were saddled with responsibility for situations which they had little power to influence. The scandalous extravagance of the former ruler of Qatar was a case in point and, although he was persuaded at long last to abdicate in 1960, the means of ensuring that his successor behaves himself better are strictly limited. Many officials in the Gulf express consternation at the prospect of Sheikh Shakhbut of Abu Dhabi getting oil money on a large scale, and this is expected to happen next year. Sheikh Shakhbut has made a start by insisting on payment in hard cash, an insistence that recalls the early days of the Arabian American Oil Company, when truckloads of silver coins for distribution to the tribes were rushed across the Saudi Arabian desert to the king's camp sites.

At a stroke, much of the argument has become academic. If independence can be granted safely to Kuwait, there can be no good reason for clinging to tiny unproductive enclaves, such as

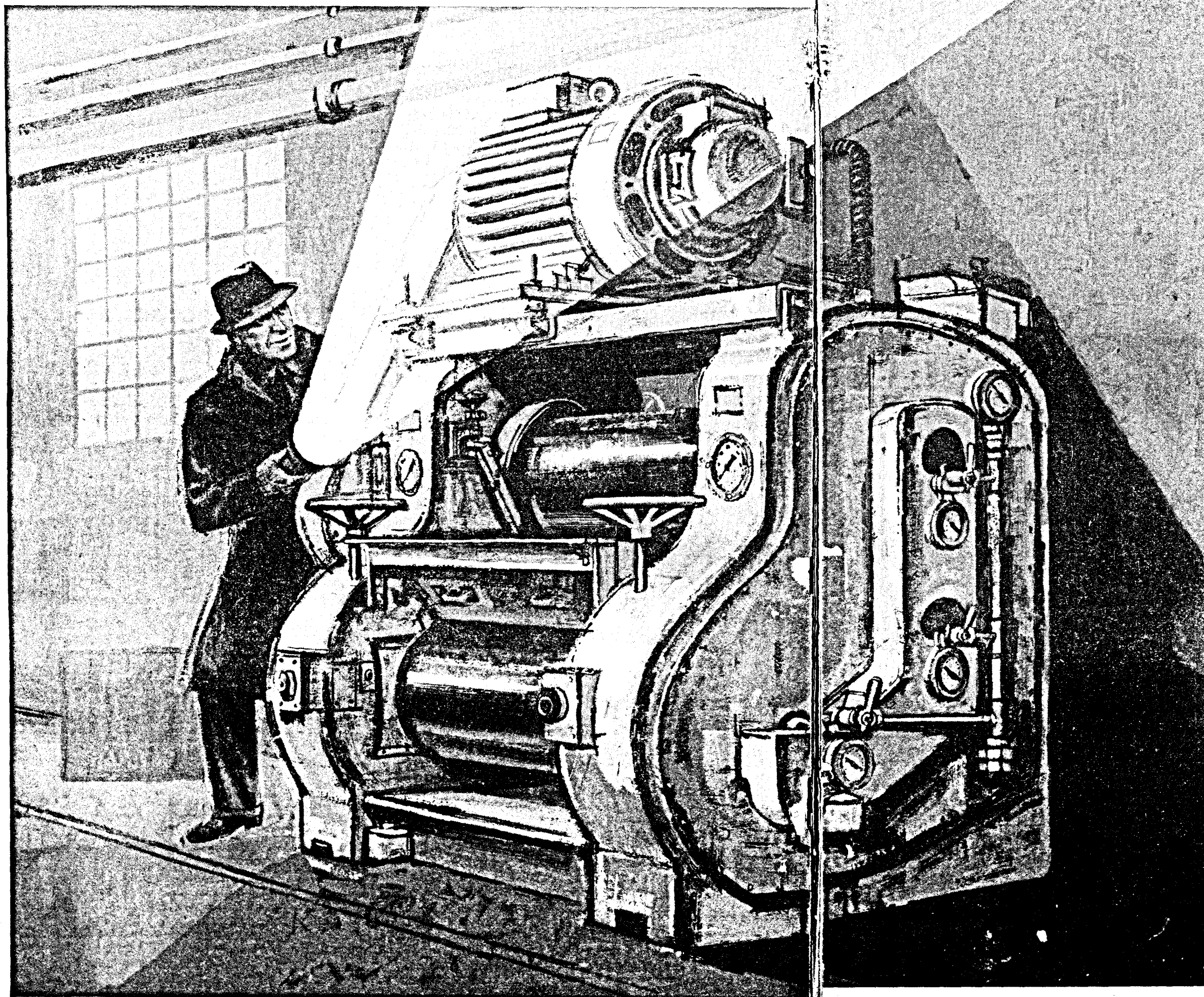
Ajman and Fujairah, especially as they owe their present privileged status to the misdemeanours of ancestors who were forced to accept British "protection" as a curb on their propensity to plunder and piracy. The problem, now, is to argue these petty rulers out of arrangements that their forebears were argued into.

Since it is highly questionable whether the continued balkanisation of the coasts of Arabia is desirable, it is not, in terms of *Realpolitik*, a vital British interest whether most of the sheikhdoms, given their independence, swim or sink. In fact, several of them would probably swim. The only claim to Bahrain is the frivolous one advanced by Persia, which would certainly be resisted by the Arabs and strongly discouraged by Persia's allies in the Central Treaty Organisation. The only possible claimant to Qatar is the House of Saud, with which the ruling family of Al Thani is on the best of terms; both families profess the austere Wahhabi faith and both have an astonishing talent for spending money. The rulers most likely to suffer by standing alone are the Sheikh of Abu Dhabi and the Sultan of Muscat, who may live to regret the alacrity with which they accepted British military support to enforce their claims to the Buraimi oasis. It is unlikely that they would be threatened in their homelands, but they would be bound to lose Buraimi; and the Sultan might well see his shadowy sovereignty over the interior of Oman again, and successfully, challenged by the Saudi-supported Imam Ghalib bin Ali.

It is true that some of the guilt of Kuwaiti independence was ripped off by General Qasim's ill-considered reaction. But the sequel underlined the changes. British troops entered Kuwait by invitation, not by right. A Kuwaiti mission toured the Arab states to reassure those who still suspected that the agreement of June 19th was an imperialist sham. An agreement was concluded on August 12th with the Arab League mission, headed by an Egyptian brigadier-general, for the replacement of British troops by a joint Arab defence force. International guarantees have been forthcoming in the shape of Kuwaiti membership of the Arab League, with Iraq casting the only dissentient vote, and of the inter-Arab defence pact. As a result, the ruler of Kuwait formally asked the British to leave as soon as the Arab force could take over, an operation which according to present Arab expectations will be completed by late August or early September. British compliance with the ruler's wishes has never been in doubt.

The readiness of the British to leave has evoked surprised relief in the Arab world. After a few days of routine attack against British intervention, Cairo dropped the theme. Nowhere in the Arab world, outside Iraq, are voices now raised against the British action. One of the most instructive features of the crisis has been the obvious reluctance of President Nasser to turn it to his own immediate advantage by providing the greater part of the Arab defence force. The calm deliberation with which the issues are being faced is a measure of the brashness of General Qasim's claim.

Yet, in the long run, there must be a *quid pro quo*. And the way is clear: Kuwait can repay the Arabs who supported its independence by investing some of its oil money in productive Arab enterprises. This is a two-way street. If the Kuwaitis are to lend money the Arab states must create a climate favourable for investment. The Kuwaitis have already had some shocks; they acquired substantial holdings in Belgian enterprises in Egypt not long before President Nasser, losing his temper over Belgian policy in the Congo, nationalised the lot. But, provided the Arab states really want the participation of Kuwaiti capital in their development plans, it should not be beyond the wit of their governments to furnish the necessary guarantees. If Kuwait's economy could be firmly interlocked with that of the Arab world, General Qasim's pretensions, already insubstantial, could be forgotten altogether and the path cleared for progressive British disengagement throughout the Gulf.



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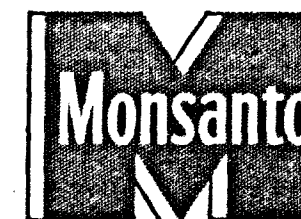
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HOME REPORT

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

Stepney's Turbulent Priest

FROM OUR SPECIAL CORRESPONDENT



WELLCLOSE SQUARE is tucked behind Dock Street, Stepney, close to Commercial Road. It is small, quiet and decrepit. The property is, in fact, like all the property in the area around Cable Street: no Dickensian charm, merely a scabrous and unrelieved squalor. The life that revolves around the streets and alleys matches the dwellings: it is Hogarthian, without the humour or the hedonism of Hogarth's more cheerful characters.

The facade of Church House in Wellclose Square is a monument to Victorian bad taste. But inside it is as full of colour, light and cleanliness as the square outside is dirty and dark. Eight women live in Church House, six of them recent prostitutes, two of them devoted social workers in the mission. The mission itself was begun eight years ago by the Rev. Joseph Williamson, vicar of St Paul's Church, Dock Street, a tall elderly man with a fine build and a clear brow.

Stepney has 3,600 families on its housing waiting list, which means about 14,000 individuals—appreciably beyond the present re-housing programme, combined with the LCC borough clearance plan. Councillor Edith Ramsey has persistently attacked conditions which, for example (and in her own words), allow a family to live in a slum "sordid beyond belief, in three small rooms—two barely larger than cupboards—father and mother and their eight children aged from 15 to one year old. One bronchitic boy must sleep alone—the other nine share two cupboards. Round the corner . . . only one house survives from the bombing. A stench rises from the pool of stagnant water in the basement. Paper peels off the damp, cracked walls. Rats run riot round the house. Here live eight adults and eight children." It is common for twenty people to share an outside lavatory.

This state of affairs both invites and exacerbates the vice which parades itself in Cable Street and the surrounding squares. A rash of so-called "clubs" has grown up—converted shops with a few tables and chairs scattered around a juke box. They are garish, cheap, tasteless; the main drink is beer. Each race tends to gravitate to its particular club. The prostitute is common to almost all.

When he began his work of rehabilitating the Cable Street women Father Williamson realised that the first necessity was to take them away from the men controlling them. Fortunately, Church House existed as part of the vicar's freehold, though the task of giving room and board to six women of the streets on the pittance of a vicar's benefice was an impossible one. Early



Portrait of a parish: not even Dickensian

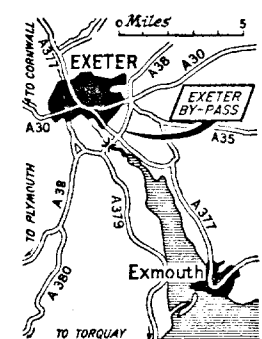
appeals to charity brought in about £1,000, and the work of converting the interior of Church House began.

Five or six women are admitted at a time and, with Father Williamson's recommendation, local factories have been very willing to employ them. To date, about 153 women have been received in Church House. Of these, about 40 have been re-united with their families and of the remainder, about half have gone on to a decent life. The rest have slipped back to their former ways. Greater success can probably come only when the present acres of slums, beer-shops and "clubs" have been swept away.

WHAT are the authorities doing? In Father Williamson's view, precious little. He deplores a London County Council which spends money on exhibitions, festivals, parks and gardens while his parish still festers. Even the restricted finance of a poor borough like Stepney, he argues, should be able to do much more than at present. Landlords who charge £2 and more for a rat-infested room with dry-rot and no plumbing are protected by agents who decline to give the names of their principals. Is it really true, Father Williamson demands, that neither the council nor the courts have power to inquire or intervene? It is not enough, he argues, to preach pious sermons in St Paul's when filth and vice lie in the shadow of the cathedral. He notes with scorn that in a recent House of Lords debate on these problems only one of the Lords Spiritual was present.

He is no less angry with an immigration policy which allows unrestricted entry from the Commonwealth. This does not come from prejudice but from the simple fact that his parish lies at the bottom of a human chute: the mentally-retarded, the idle and the vicious of all races are borne there by social and economic gravitation. Father Williamson and Councillor Ramsey both affirm that the Maltese are the chief offenders in living off prostitution. Of 35 persons convicted recently, 27 were Maltese. These realities of Stepney life have formed Father Williamson's doubts on immigration. Yet they do not make him a pessimist or cynic about human nature itself. For a second Church House is now in being—again the fruit of his personal efforts. It lies a good ten miles from Stepney and the women who go there will have an even better chance of escaping permanently from the life behind them.

Slum clearance is the first of Stepney's problems, and it is clear that past programmes have been inadequate. Stepney Town Hall is unwilling to give details of present plans: it may be embarrassed. In his statement at Alnwick last week the Minister of Housing, Mr Henry Brooke, observed that slum clearance remained a first priority of national policy despite the new housing cuts elsewhere. The force of this social necessity is nowhere clearer than in St Paul's parish, Stepney.



The Bypass Bogey

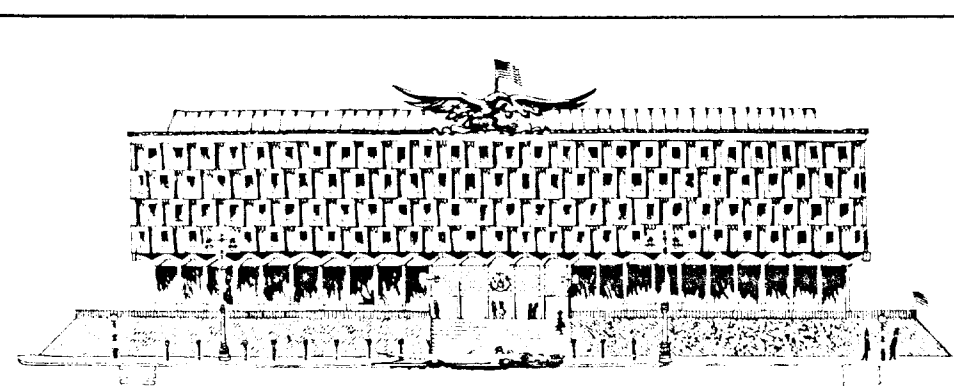
FROM OUR SPECIAL CORRESPONDENT

AUGUST puts the Exeter bypass slap on to the front pages and into the news bulletins. In its way, this clotted artery of the far west has achieved a national notoriety which everyday (and more serious) trouble spots might envy. As the map shows, the bypass is the funnel through which all traffic between the north, midlands, east and south and the south-west must squeeze: for there is no crossing of the Exe below it, and no northern route round Exeter for 20 miles or more. From the midlands and north (where wakes weeks and fair fortnights combine with school holidays) A38 comes down through Bristol to join A30, from London, at the bypass head. And A30 itself is already carrying a double load from its confluence with A303 at Honiton, 20 miles to the east.

The junction is uncontrolled and therefore, when descended on by 50,000 cars, chaotic. However, this hazard past, the bypass is an adequate, not to say good, four-lane highway quite able to cope even with the additional traffic from A35 which joins it just to the south. Its capacity here is theoretically 5,000 vehicles an hour.

But the sole crossing of the Exe between Exeter and Exmouth is the Countess Wear swing bridge, part of the bypass. It has only two traffic lanes. The capacity of the entire bypass is therefore halved. This is the genesis of those 20-mile queues of stationary cars boiling in their own indignation on four or five weekends a year (the worst of which are those immediately before and after August bank holiday). There are other hazards: Kennford is a small town not easily adapted to large volumes of traffic; and the junction of the bypass and A380 (the infamous Telegraph Hill) is uncontrolled and disruptive. But the main source of frustration is that bridge.

Unfortunately for August holidaymakers, the bypass is more than adequate for the rest of the year, and it is thought hardly worth it, for the sake of a few weekends, to build a new bridge or to take the even more expensive course of building a ring road round Exeter to the north, between the two arms of A30. What would certainly help here—and on a host of other roads—would be a new willingness on the part of landladies to book holidaymakers from midweek to midweek, abandoning their insistence on Saturday to Saturday. But that, too, will only come about with properly staggered holidays.



The Bird in Grosvenor Square

FROM OUR SPECIAL CORRESPONDENT

IT is just over a year since the controversial bald eagle was hoisted to its perch atop the United States embassy in the early hours of a Saturday afternoon. By now the die-hard xenophobes, who once fanned up fears that London would become a zoo populated by thirty-five-foot Welsh dragons, Siamese elephants and Nyasa leopards all fiercer than the English lion, have turned their wrath against the common market octopus. Peace has at last descended upon Grosvenor Square, and Theodore Roszak's eagle rests virtually unmolested, disturbed only sporadically by passing cosmonauts.

Behind the Portland stone walls of Eero Saarinen's edifice, a flourishing bureaucracy has now comfortably implanted its roots. Things have come a long way since an overworked John Adams first took on the task of representing the United States in 1785 (even before there was an American President). Today, in an era of slightly more amicable Anglo-American relations, the embassy rooms are cluttered with a staff of over 700, most of whom are British "locals." (They are screened for nearly two months before being hired.)

IN less prosperous times, this might have been thought a gesture towards relieving British unemployment; but, in actuality, the employees are kept busy (so they claim) performing what have become the duties of the modern major embassy. "Diplomacy in depth" is the byword, and the most prominent activity of the embassy is "selling" the image of America's personality.

This crucial task belongs to the United States Information Service. Washington has given it nearly twice the staff of the Political Division; and whereas the latter consists almost entirely of Americans, the USIS personnel is four-fifths local. The approach of the USIS is many-pronged: American literature and history are presented in a sizeable (25,000 volumes) public library, supplied also with periodi-

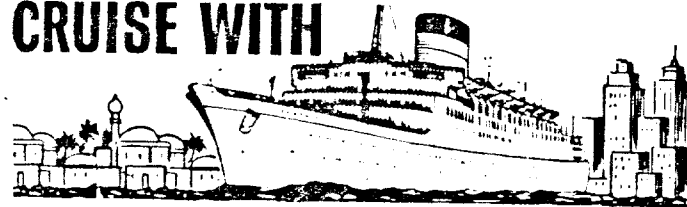
cals ranging in intellectual appeal from *Better Homes and Gardens* to the *Bulletin of Atomic Scientists*. American art is represented in exhibitions, and music by a recording library and a variety of often well-attended lectures and concerts given in the plush 185-seat auditorium.

For the prospective tourist, if he has managed to emerge unscathed from the rigours of United States entrance regulations (the Consular Division on the southern side of the building grants some 9,000 visas a month to the British citizenry, four-fifths of them to non-immigrants), the USIS has produced a travel guide, gloriously portraying America as the air-conditioned nation of conventions and visitors' bureaux, national parks and civic orchestras that it is.

Nevertheless, the efforts of the USIS, admirable (and costly) as they may be, still constitute only a "soft sell"; the interested Briton must first pass voluntarily through the gold-framed portals. According to the librarian, on a busy day some 300 visitors make use of the library, and there is a similar number of phoned inquiries. But those who do avail themselves are only a small intellectual upper stratum of British society: they are the educators, journalists, BBC-types, and the occasional specialists seeking the latest word on the American art scene, or some recent research in cybernetics from MIT.

THESE diligent seekers-after-truth are important intermediary disseminators, but if America desires to project its own image directly to the greater depths, there is something to be said for the "hard sell"—which will strike and impress the passing bloke-in-the-street. There are, of course, three-quarters of a million American tourists who make contact with the blokes each year; but in Grosvenor Square there is only the eagle. This may be why some Americans, after Major Gagarin's triumph, yearn for a visiting Shephard or Grissom.

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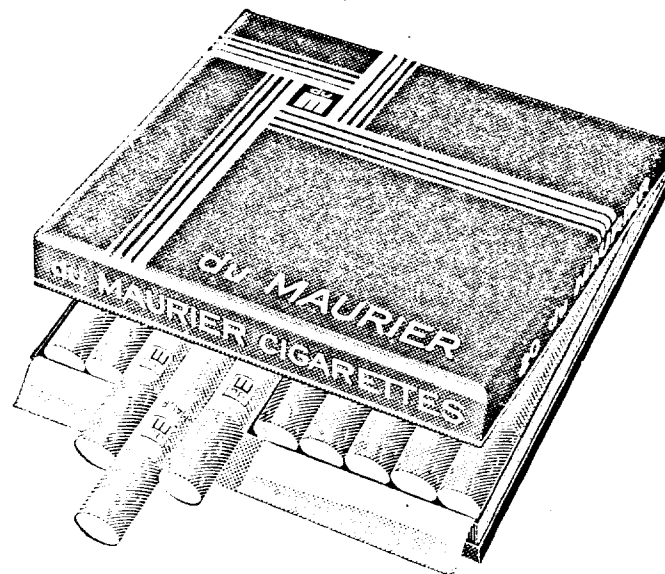
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WORLD OIL
IN TRANSITION

BY WALTER LEVY



Walter James Levy was born in Hamburg in 1911. After studying at the universities of Heidelberg, Berlin and Kiel he left Germany in the early thirties first for Britain and then for the United States. After serving during the war in the Office of Strategic Services he became for a time head of the petroleum department of the European Co-Operation Administration. Since then, as an independent consultant, he has acted for various departments of the United States Government, for other governments and agencies such as the World Bank, and for major oil companies. In the preparation of this study he was assisted by his associates Mr. Milton Lipton and Miss Helen Delage.

NO industry is more world-wide in its ramifications, is more essential to the world economy, or is more entangled in world politics than oil. Industrial growth throughout the world economy depends increasingly upon petroleum; its rise towards pre-eminence among commercial fuels, since the war, gained momentum during a period of inflation, but has continued since the market for oil, as for many basic commodities, swung over into surplus. During oil's history, indeed, there have been more years of surplus than of shortage; and the current surplus seems likely to be here for several years at least. The readjustment of policy and behaviour among the producers and consumers of oil is taking time: particularly among producers, both companies and governments.

The political instability of some of the areas where oil production—and oil riches—have been growing fastest; the uncertainty of consumer governments apprehensive about that instability and with home fuel industries to protect; the entry of far too many newcomers into the world oil market for "orderly competition" among the established major companies still to dominate the market; the steady drip of Russian oil into the West—all these make for turmoil in the world petroleum industry. Changes in the kaleidoscopic pattern, developments in detail, come so fast that it is difficult to look at the whole problem in the round. It is to offer readers a chance of doing so, from one expert and synoptic viewpoint, that *The Economist* has opened its columns to Mr Walter Levy, one of the oil industry's best-known consultants, to present at length a comprehensive survey and analysis of the oil problems now facing the world and not just the oil industry, and of the methods, and chances, of meeting them. These views are Mr Levy's, not *The Economist's*: our diagnosis and prognosis would largely overlap his, but differ significantly here and there. But they are given a platform here as a distinguished contribution to discussion of one of the most important economic and political problems now facing the world.

THE world oil industry has just rounded out fifteen years of unprecedented expansion. In this time, petroleum provided for most of rapidly rising energy requirements—supporting the postwar industrial reconstruction and subsequent economic growth. Behind all this was a prodigious exploration effort to search out crude oil reserves; refinery construction to provide the many petroleum products used for light, heat and power; and development of transport and distribution facilities linking widely scattered producing areas with markets in all parts of the world.

Looking ahead, the next fifteen years will present an even greater challenge to the world oil industry. Energy requirements will be mounting, not only in the industrialised West, but especially among underdeveloped areas. The ability to achieve higher living standards obviously depends on constant improvement in the productivity of labour. So capital formation becomes a crucial factor; with it, the availability of energy. And for most countries, increasing energy requirements will have to be met by oil.

Over the next fifteen years, for example, oil consumption outside North America could mount at the rate of perhaps 7.5 per cent

per annum. Together with North American consumption this would mean free world oil requirements of around 2 billion tons a year by 1975, against about 900 million tons now. Fortunately, huge proven resources are available to meet these future requirements. Eastern hemisphere reserves are at present conservatively estimated at 28 billion tons, accounting for some three-quarters of the free world's established oil resources and representing 30 years' consumption for it at current rates. And huge new reserves are certain to be proved—in view of potentialities in the Middle East and North Africa, and widespread exploration elsewhere. It would appear, therefore, that eastern hemisphere resources should be adequate to meet the area's rapidly rising requirements plus whatever the western hemisphere needs to import, and still leave ample reserve-to-production ratio in 1975, even at the very high rates of production that would be reached by that time.

But between retrospect and prospect there is a troubled present—with world oil operations beset by economic uncertainties and political tensions.

The prolific oil reserves offer an assurance of adequate supplies to meet mounting requirements in the future, but pose serious difficulties today. What stand out are the disruptions brought about by a surplus of oil in the free world and the intrusion of Soviet oil. But the oil industry has worked through periods of surplus before; and a previous episode of aggressive Soviet competition, in the 1930s, coincided with an earlier glut of oil on world markets. It is not so much the immediate economic dislocations alone that are cause for concern, as the continuity of effective commercial arrangements and the political situation in key oil areas.

THE IMPACT OF NATIONALISM

FOREMOST among the critical factors bearing on world oil operations in recent years is the upsurge of nationalism and the urgency for economic advance in underdeveloped areas. Governments in some of these countries are increasingly concerning themselves with oil operations that had until lately been the function of private companies. In some instances—e.g., Brazil, India—the governments enter directly upon oil operations: in exploration where prospects appear to be favourable, in refining and even in marketing. In Ceylon and some other countries the governments interpose themselves on established oil operations, affecting significantly the conditions under which the industry can continue to function—both in producing and in consuming countries. Superimposed on these, the cold war exacerbates any difficulties between the companies and local governments. The Russians, whenever the subject of international oil is raised, immediately refer to “monopoly profits,” charging the companies with having exploited the national resources in countries from which they export and of the consuming public in countries where they market.

The essential function of the internationally integrated companies—to programme production among diversified areas and to match supplies with world requirements—is thus complicated by

production, and of independent refining and marketing companies with access to low-cost crude from a variety of sources.

The world oil trade plays a central role in the economic life of many nations. The economic strength of the industrialised West depends on uninterrupted availability of oil at reasonable terms. But foreign oil is largely concentrated in areas that are the focus of political tensions, and the cold war points up the danger inherent in Western dependence upon sources of supply that may not always be securely available. Access to foreign oil is essential to consuming countries; access to markets is essential to producing countries. And the conditions of trade are vital to each—from both economic and political standpoints.

This interdependence, even though it is the keystone in the whole structure of world oil trade, has not been adequately appreciated by all concerned. Each participant must obtain certain benefits; at the same time, each must realise that the contribution of others is vital. Accordingly, each participant may take as a guiding consideration his enlightened self-interest; but must also accept as a limiting consideration the basic interests of others. It has been through the operations of an internationally integrated oil industry that these diverse, but interdependent interests have been accommodated. But the world oil industry today is confronted by a number of issues that go right to the heart of its economic rationale, its institutional structure and its relationship with both producing and consuming governments.

THE MIDDLE EAST

A FACT of overriding importance in the current oil environment is the large size and relatively low cost of reserves discovered in recent years in a few Middle East countries. Proven reserves in this area are conservatively estimated at around 25 billion tons, enough to support production at current rates for nearly 90 years. In effect, the economics of Middle East oil production more nearly resemble those of a manufacturing operation than of exploration with its normally uncertain finding costs and results. From a physical as well as from a cost point of view, Middle East oil could presumably replace a substantial proportion of the oil that the free world produces elsewhere, as well as a large part of the output of competing energy sources, such as coal.

There are compelling reasons, however, why Middle East output has not expanded at such rates. The producing countries' governments are interested in a relatively high level of prices because their revenues largely depend on an income tax levied on the producing companies' profits. Similarly, the governments would prefer to see less of their oil sold at higher prices than more at lower prices, as long as their revenues would remain unaffected. They would obviously wish to enjoy the benefits from oil revenues over as long a period as possible and to recapture for themselves at the end of the concessions the highest possible proportion of the oil in place.

International oil companies, too, because of their geographically diverse production interests would not all benefit equally from cheap Middle East oil. Moreover, all of the companies are dependent for part of their requirements on more expensive sources of supply. The economics of past investment thus lead to the maintenance of production in other areas than the Middle East. Significantly, too, any concentration of production in a few Middle East countries would undermine the national economies of higher-cost oil-exporting countries.

Diversification of production has been undertaken to assure that expanding world requirements would be met, and also to provide against any possible interruption of supply lines—which could occur with unforeseeable swiftness and for unpredictable reasons. This diversification is also essential for the companies to retain bargaining strength in their relations with the various producing countries (of which more later).

Many consuming countries possess some local energy supplies. Local production of energy may be more costly than imported oil; but strategic, economic or social considerations often lead governments to develop such national energy sources and to protect them in the home market.

But there are continuing pressures to produce more and more, both in the Middle East and elsewhere. Concessionary companies have a strong inducement to step up output as rapidly as is feasible. For one thing, their concessions, although generally running for another 40 years or so, are still of limited duration. Reserves already proven in some of these countries, such as Kuwait and Arabia, would in some instances sustain production at levels rising above present offtake for more than the full period of the concession. And the sooner a barrel of oil is produced, the more valuable it is to the company in terms of cash income.

TOO MUCH CRUDE

THE pressure rapidly to expand output of crude oil is particularly acute for “newcomer” companies. Their financial resources generally do not match those of larger, established rivals. The need to recover exploration and development expenditures is thus correspondingly greater. They generally have no extensive investments in refining and marketing to protect and may thus be less reluctant to resort to intense price competition to gain outlets for their oil.

In spite of the state of crude oil markets, major oil companies as well as newcomers continue looking for more oil. Established international companies spend large sums on the search for oil each year. One reason is that they have explicit or implicit commitments to meet minimum drilling programmes in various concession areas. Also, contagious competition impels companies with far-flung markets to carry on continuous exploration—to protect indigenous hydrocarbons, to achieve greater diversification of supply sources, as a protective measure to forestall rivals from preempting an inordinate number of promising locations, and to maintain the continuity of their organisation and staff.

In recent years medium-sized and smaller companies, especially American, which had previously limited their search for oil largely to their home countries, have been attracted into foreign exploration, partly by the lure of the big strike, which is always a potent factor in oil ventures. They have also been attracted by the profits earned in successful producing operations during the postwar oil boom. And they were concerned over their future supplies—particularly American companies facing the high and rising cost of adding to their domestic reserves.

National policies have also played a growing role in the expansion of exploration. Many countries have encouraged the search for oil within their own borders and abroad, in order to save foreign exchange, gain greater security or enhance their national prestige. And countries which are already major producers have opened up additional areas to concessions, in part because sharp competition among bidders promised handsome terms in the form of initial bonuses as well as future revenues.

In sum, on the supply side, there are obviously strong and continuing incentives to produce and market extra low-cost crude from prolific producing areas. In addition, there is the increasing importance of new sources of supply, of newcomers to foreign production and of government demands for expanded output in virtually every producing country.

FOCUS ON NARROW MARKETS

ON the demand side, surplus production tends to focus upon relatively narrow markets. This aggravates the pressure both on the price of crude oil and on the price of oil products in such markets. It gives rise to an increasing prevalence of discounts

off the posted price and of investment in refining and marketing facilities in order to gain or protect crude oil outlets. In general, independent crude producers sell only to refineries that are not affiliated to any of the major groups. Since these refineries themselves have limited outlets for their products, the independent producers of crude are often obliged to make very steep concessions to dispose of supplies during periods of surplus. These may take a great variety of forms in addition to, or in lieu of, direct discounts from posted prices. Profit-sharing arrangements, low-interest loans, refining and/or transportation below cost—all may be resorted to on one occasion or other. Established suppliers naturally fight to keep their customers from the independents. Having access to very low-cost crude on a large scale, being under strong pressure to produce additional quantities and possessed of large financial resources, they are usually able to match, and often better, the offers of independent suppliers.

The pressure of surplus crude oil has led to considerable investment in refining and marketing that would not have been made under more normal conditions. New refineries are built in markets that might more economically be served from existing capacity. Established companies do so to protect their crude sales; newcomers, to provide a “home” for their production.

Access to low-cost crude from a wide range of sources, in turn, permits independent refiners (or marketers, through the use of processing arrangements) to sell finished products very cheaply, at times in direct competition with the refining or marketing affiliates of companies that supplied them with crude. Even though the quantities involved may not be very large relative to the size of the market, they may still be sufficient to force major marketers to lower their prices in order to hold existing customers. Depressed product prices, in turn, affect the earnings of these affiliates, at times even to the point of causing substantial losses in their accounts.

At the same time, potential market outlets are constricted by the efforts of many important oil-consuming countries to develop their own sources of supply, at home or in associated areas. Argentina and France are cases in point. Japan may soon have access to substantial “national” oil production from an off-shore concession in the Persian Gulf. In the United States the imposition of mandatory controls over oil imports has left various American companies that had ventured into foreign oil production with limited access to domestic refineries. In consequence, the pressure of surplus tends to be focused on a few accessible marketing areas.

All these factors have robbed posted prices of a great deal of their sensitivity to changes in supply and demand. For a balance between supply and demand in the short run to be achieved through the price mechanism, oil prices would have to fall to an impossibly low level—below the operating cost of all production except from a very few prolific sources. This would mean abandoning or destroying large segments of the petroleum industry—and of other energy industries, notably coal. Incentives for exploration and development would be impaired; current consumption at ultra-cheap prices would be at the cost of future supplies; and overall this would involve the economic waste of scarce resources.

In fact, economic adjustment through a destructive play of market forces is manifestly intolerable, being harmful to all parties involved. The petroleum industry and the governments of oil-producing countries are naturally concerned to avoid such severe consequences. The governments of oil-producing countries, for whom posted prices serve as the basis for determining their tax take, have indeed increasingly resisted any price reductions by the companies. Many consuming countries, too, are determined to avoid the disruption of their domestic energy industries. To the economic forces that are typically expected to shape and adjust the activities of an industry there are added in oil not only the interplay of physical and commercial factors, but institutional, political and strategic considerations as well.

TABLE I
FREE WORLD CRUDE OIL

	PRODUCTION			RESERVES			
	1950 '000 barrels per day	1960 '000 barrels per day	Per cent	1950 Billion Barrels	Per cent	1960 Billion Barrels	Per cent
FREE WORLD	9,579	17,672	100.0	88.3	100.0	264.3	100.0
Western Hemisphere	7,451	11,281	63.8	38.4	43.5	60.4	22.8
United States	5,408	7,030	39.8	25.3	28.7	31.6	11.9
Canada	80	526	3.0	1.2	1.4	3.7	1.4
Venezuela	1,498	2,844	16.1	9.5	10.8	18.5	7.0
Other W. Hemis.	465	943	5.3	2.5	2.8	6.6	2.5
Eastern Hemisphere (a) ..	2,128	6,391	36.2	49.9	56.5	203.9	77.1
Middle East	1,755	5,264	29.8	48.0	54.4	183.2	69.2
Iran	664	1,067	6.0	13.0	14.7	35.0	13.2
Iraq	136	966	5.5	8.7	9.9	27.0	10.2
Kuwait	344	1,622	9.2	15.0	17.0	62.0	23.4
Saudi Arabia	547	1,246	7.1	10.0	11.3	50.0	18.9
North Africa (b)	...	184	1.0	...	...	7.2	2.7
Indonesia & Br. Borneo ..	217	510	2.9	1.3	1.5	10.0	3.8

Sources: Production—U.S. Bureau of Mines.
Reserves—Oil and Gas Journal; World Oil; American Petroleum Institute; Canadian Petroleum Association.
(a) Includes countries not listed separately. (b) French Sahara for production; French Sahara and Libya for reserves.

changes in the structure of the industry and by politically inspired limitations on both their freedom of disposal and their freedom of supply. Nowadays subsidiaries of international oil companies are coming under pressure to consider simply the national interests of the countries in which they happen to operate. International co-ordination of investment, of production among various areas and of supplies for various markets would in such circumstances have to yield to whatever political imperatives are most urgent. Withal, the major international companies have to meet the competition of the many “newcomers” who are now active in foreign

SOVIET OIL

THE pressure of surplus on various markets is further aggravated by the reappearance of Soviet oil as an important factor in international trade. Oil exports by the Soviet block to the free world rose from 5 million tons in 1955 to about 23 million tons last year. It is estimated that the Russians could export in 1965 twice their exports in 1960. Russia's substantial oil reserves are likely to be developed, along with increasing volumes of natural gas liquids; and the planned expansion of natural gas production there would also release oil supplies for export.

With substantial production coming from relatively new fields, the average cost of Soviet oil is apparently quite low. Second, because the bulk of Soviet production moves to protected markets in the USSR and its satellites, the cost of incremental production for export is still lower. In addition, Soviet cost accounting obviously differs from Western commercial practice; the Russians are in a position to charge costs according to a politically determined scale of values. Finally, it would appear that oil exports are an especially attractive source of foreign exchange earnings, involving relatively small capital and labour inputs as compared with the goods that the Soviets may expect to receive in exchange.

The Russians are accordingly in an advantageous position to compete aggressively in terms of price, and price cutting has become common in the Soviet oil trade whenever it is required and promises to be successful. At the same time, the Russians can be selective in pricing policy: within their own block, prices are often considerably higher than for exported oil delivered to distant markets.

Where price competition alone may not succeed, the Russians conclude government-to-government arrangements to place their oil. Soviet willingness to accept payment in soft currencies and bartered commodities carries an obvious trading advantage in countries with balance of payments problems—such as most of the underdeveloped countries of Asia, Africa and Latin America.

The market impact of Soviet oil, coming at a time of already serious surpluses, is far greater than the volume of shipments alone might indicate. And the problem is not only one of commercial competition. The Russians have made it quite clear that they regard oil as an instrument of national policy. They are prepared to intrude it where it is likely to disrupt relations between Western industry and various governments; or to withhold it where it serves their political purposes. Within the framework of stated intentions toward the West the Russians are bound to consider, in addition to whatever commercial advantage it may give them, their international oil activities as an ideal weapon in the cold war, even though sales of Soviet oil would contribute to Soviet economic strength.

Any build-up of Soviet exports that leads to undue dependence on the flow of such supplies or tends to undermine the economics of commercial oil operations would pose a very real problem of continued availability. Nor is it a matter that involves just the countries that happen to be substantial importers of Soviet oil. Should the Russians decide to cut off their exports (e.g., in conjunction with a political crisis that may also affect access to other oil sources), the responsibility for maintaining essential oil supplies would eventually become a common concern to the entire Western community.

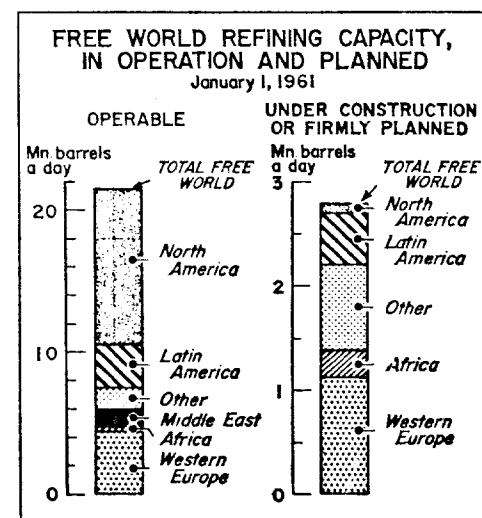
In the major oil exporting areas, oil companies have generally acquired their production rights through long-term concession contracts over very large areas. The companies have normally been promised freedom from government interference in the determination of such matters as levels of production, size and destination of exports, setting of prices, and the disposal of foreign exchange receipts. Government revenues are at present generally defined as 50 per cent of production profits at posted prices, though in Venezuela the government's share of earnings actually reached 69

per cent in 1960. These concessions offer the companies contractual protection that was asked for and freely granted at a time when they were undertaking heavy investment at considerable risk. For the major oil producing governments, the concessionary arrangements have yielded oil revenues that are far beyond what they might have expected.

Yet the budget accounts and foreign exchange resources of some of these countries are precarious and most are not satisfied with their rate of economic and social progress. They now criticise the very arrangements that have contributed so much to the progress they have made. And local dissatisfaction can easily and conveniently be directed against one target—that is the "rich and powerful foreign-owned oil companies."

TERMS OF CONCESSIONS

PRODUCING governments also often complain that the concessions were negotiated when their countries were under colonial administration, or when they were ignorant of the value of the resource and were otherwise unable to secure equitable terms. Many concession areas, they argue, are too large and cannot be properly explored by the company in the foreseeable future; the concessions, they complain, extend too far into the future. And they feel the present 50:50 arrangement tax gives them too low a share. Recent concessions that include new features add to the pressures even though the improvements in terms generally reflect the fact that the prospects of finding oil appear much more favourable mainly as a result of earlier discoveries nearby. In the late fifties large bonuses were paid for the acquisition of new concession rights in oil countries such as Venezuela and Iran. When certain American, Italian and Japanese companies acquired new Middle East concessions, they agreed to pay more than 50 per cent of profits to host governments or allow governments a share of profits on subsequent refining and distribution operations in consuming countries. Further, they admitted the possibility of purchase by the producing government, at cost, of up to 50 per cent of the corporate interest in the new producing venture (in addition to the 50 per cent income tax) once oil was discovered in commercial quantities. In the most recent concession granted to Royal Dutch/Shell for uncommitted offshore Kuwait rights, a Kuwaiti-owned company holds the option to acquire at cost up to a 20 per cent interest in the venture if successful. Shell also binds itself to purchase the 20 per cent share of oil production enuring to its Kuwaiti partner at not less than 10 per cent below posted prices and to give it other business assistance. Even though some of the arrangements between governments and private companies in



the newly-formed ventures appear to be impracticable, the direct participation of producing countries in oil production seems to reflect the trend in their expectations and demands.

Most of the existing concessions, formally, would run beyond the end of this century. In point of fact, the companies have been in practically continuous renegotiation with producing governments over the years and the provisions of their contracts have

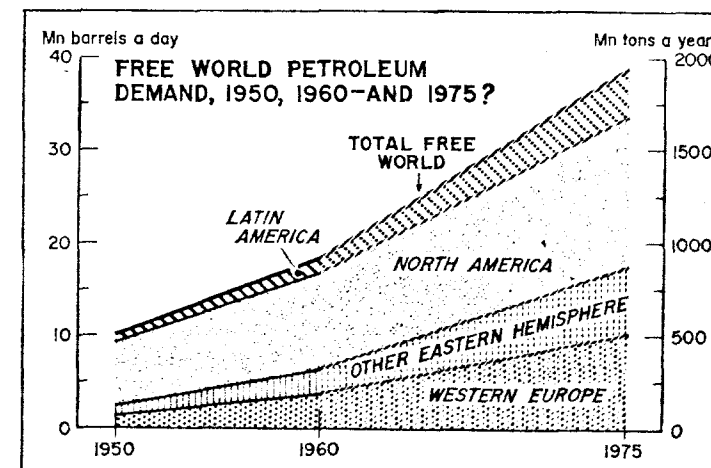
been fairly regularly adjusted to contemporary conditions. But revisions in the concessions' fiscal and operating arrangements have frequently resulted in only temporary accommodation between companies and governments.

But if sovereign power is imposed against the companies' contractual rights to the point at which essential management prerogatives are eroded, the results will defeat the purposes of the producing countries themselves. Consideration might perhaps be given to a new approach for the settlement of major issues that may go unresolved through protracted negotiation over long-term concessionary arrangements. In such instances, and where relations between companies and government may be seriously disturbed by inability to arrive at a *modus vivendi*, it might be possible to agree on independent arbitration arrangements. The intent would be to arrive at a reasonable balance of inherent merits, taking account of the respective legal rights under the concession and also of other compelling circumstances.

There would be both limitations and difficulties in such an approach. Certain issues, involving most fundamental interests of either company or government, might not be arbitrable. On the other hand, negotiation of outstanding issues might become more difficult—demands more peremptory, agreements more reluctant—if recourse to independent arbitration were available. However, the critical state to which industry-government relations may be brought, and the far-reaching consequences of a breakdown in confidence, suggest that the possibility of arbitration on a much broader scale than is usually conceived warrants serious consideration.

OPEC

THE creation of the Organisation of Petroleum Exporting Countries (OPEC) in 1960 was obviously related to the policy goals of producing governments. While the first aim was to gain a voice and possibly even control over posted prices for crude oil, OPEC's resolutions have included also the possibility of production or export controls. Agreement on such controls presupposes that the various producing countries would be ready to exercise self-restraint. This would not appear to be the case today, as witness the frequent demands by various countries for stepped-up production. In the event, abstention of a few of them would render any attempt at controls ineffectual.



Yet the concept of international prorationing remains attractive to some producing governments—as a means of containing potential surplus production, preventing price weakness, of conserving an exhaustible resource, and, in particular, of gaining a greater measure of control over oil company operations. It is suggested that such prorationing would simply follow the pattern of conservation as practised in the United States. However, this

fails to take into account an important distinction between prorationing within a country such as the United States, where domestic production is used internally, and prorationing that would affect the export operations of a producing country and thus involve the varying and often conflicting interests of a large number of countries, as well as companies. Such controls as might be administered by a few producing countries could not fail to have disturbing implications for the security of supplies and the terms at which oil would then be available to the free world.

Any system of controls over international production or exports, no matter how broadly based, would give producing countries inherent incentives to advance their interests by manoeuvring within the limitations of the system. To improve their positions, all countries would try to build up their reserves or productive potentials, depending on the statistical criteria that were adopted in such an allocation scheme. And companies with only limited access to supplies in prorate areas would be induced to intensify the search for oil elsewhere. All this would tend to add to, or at least prolong, the oil surplus.

Moreover, oil stands in sharp contrast to many other primary commodities moving in international trade, for which production, prices and employment have fluctuated violently within short periods of time. Oil, on the other hand, has enjoyed a rapid and steady growth in demand, relatively stable prices, and has made an unparalleled contribution to the revenues of producing governments. For all these reasons and also because of the difficulties in resolving a range of political issues, it is unlikely that any effective prorationing scheme will be established in the near future.

WESTERN OIL COMPANIES NOW

THE bulk of oil reserves and production in the free world outside North America has been developed under long-term concessionary agreements by a relatively small number of internationally integrated oil companies, of American, British, British/Dutch (and French) nationality. These same companies have also undertaken the transport, refining and distribution of oil in practically every country of the free world and they have come to supply the greater part of the world's oil requirements. The effectiveness of their operations is due in large part to the fact that they are international and integrated companies.

These major companies undertook most of the highly uncertain and risky search for oil. They put up the capital for pioneering oil ventures in numerous areas where geography, climate and terrain made operations difficult and expensive. Later, they spread their risks, and the financial stability of their operations no longer depended on the success or failure of any individual effort. Exploration in many areas, allied with their international integration of transport, refining and marketing, enabled the companies to finance uncertain ventures, bear the cost of repeated disappointments and to accept the heavy cash drain often involved in the development of new producing areas.

Most significantly, the companies' scope of information on trends and developments in many geographic areas and on all phases of oil operations enables them to co-ordinate the timing, location and scale of their investments and thus to plan far ahead for future needs. And it ensures an ample range of petroleum

products at attractive terms in all parts of the world—undoubtedly one of the most important factors contributing to the striking growth in oil consumption and production. As a result, the oil companies have been able to maintain orderly and efficient operations from which they, together with both producing and consuming countries, have benefited greatly. For the most part, output has been continuously increased, prices have remained relatively stable, local government revenues from production have expanded and rapidly rising demands in consuming countries have been equitably satisfied. Assisted in their foreign operations by the international prestige of their home countries, the companies in turn have assured the flow of essential oil supplies in time of war and crisis.

There is now a threat that the companies may be more and more handicapped in maintaining the efficiency of their world-wide operations. Recent trends are toward the "Balkanisation" of world oil. While the technical contributions of these companies are clearly essential to effective oil operations in virtually all sectors of the industry, they would tend increasingly to take on the character of service organisations if this were the limit of their contribution. The danger is that the world oil surplus acts to obscure the contributions they make in their basic operating functions of producing, refining, marketing and the financing of investment.

As noted previously, however, mounting world oil requirements will require a great and uninterrupted expansion in proven reserves, and in the facilities to translate reserves into petroleum products in the hands of consumers. For all this, the internationally integrated oil industry is uniquely in a position to make essential contributions. These include forward programming, in exploration and also in refining and distribution; diversification of risk, as among areas and functions; and the internal generation of capital, to finance necessary investment without undue capital demands upon individual countries. But the continued effectiveness of industry operations will depend on how well it can cope with the strains to which it is currently subjected and on the policies of governments in matters intimately affecting world oil trade.

In this respect, it is of paramount importance that expanded opportunities, and improved procedures, should be provided for consultation, on critical issues, between the oil companies and their home governments. Western policy is closely concerned with

TABLE II
PRODUCTION AND REFINERY RUNS OF EIGHT
INTERNATIONAL OIL COMPANIES, 1960

	WORLD (1000 Barrels Daily)	UNITED STATES	OTHER WESTERN HEMI- SPHERE	EASTERN HEMI- SPHERE
		PRODUCTION (a)		
Standard Oil (N.J.)	2,514	505	1,338	671
Royal Dutch Shell (b)	2,021	396	948	677
Gulf	1,570	402	213	955
British Petroleum	1,520	...	1	1,518
Texaco	1,352	557	233	562
Standard Oil of California	988	335	90	562
Socony	823	259	169	395
Cie. Francaise des Petroles	378	...	2	376
		REFINERY RUNS		
Standard Oil (N.J.)	2,871	815	1,219	837
Royal Dutch Shell	2,549	629c	650d	1,270
Texaco	1,326	675	331	321
Socony	939	572	...	367d
British Petroleum	894	...	11	883
Standard Oil of California	841	...	520e	321
Gulf	759	479	151	129
Cie. Francaise des Petroles	256	...	...	256

Sources: Companies' annual reports.
(a) Gross production of crude oil and natural gas liquids. (b) Not including oil supplied to Royal Dutch Shell under long-term agreements. (c) Canada included with the United States. (d) No area breakdown outside the United States. (e) No area breakdown within the Western Hemisphere.

developments in all areas where the companies have operating responsibilities. Nor is it merely Western oil policy that is involved. It is essential, therefore, that company decisions be made

with full regard for the far-reaching political and economic consequences that may be involved. It is equally essential that the companies' position be strengthened and appropriate ways found for the companies to consider in concert those broad problems that bear on the entire industry's vital position, without running foul of an interpretation of American antitrust laws that in such instances might be self-defeating or harmful to the basic interests of the free world. Otherwise the companies cannot be expected to carry out their commercial functions effectively, the while acting as a buffer between conflicting government interests.

By 1975, the share of oil in energy consumption outside North America, will have increased to over 50 per cent. Petroleum products are becoming more and more important in a wide range of uses, including essential and strategic industries that have hitherto depended on local energy sources. In consequence, the economic effects of interruption in the flow of oil become more severe; and there is a risk that this very vulnerability might become the target of hostile manoeuvre.

SECURITY OF SUPPLIES

IN the interest of the prosperity of the free world as well as its security, oil operations need to be kept as far as possible on a genuinely commercial basis. Should the provision of supplies come to be determined more by political than economic or commercial considerations, the dependability of supplies would be seriously impaired. By the same token, the terms under which oil can be obtained must not involve economic, commercial, or political conditions that would make it impossible for the user to accept them.

Viewed from this perspective, the nations of the free world, and especially the industrialised countries, must aim for as balanced an energy supply position as possible—drawing on the availability of low-cost energy, but promoting the diversification of sources that would ensure adequate supplies at reasonable prices over the long run. This involves concern both for the security of oil imports and for the viability of domestic energy industries. Consuming countries would continue to draw ever increasing quantities from the oil resources of the large producing areas, which would thus be assured of expanding production and revenues. But consuming countries would also try to avoid an undue measure of dependence that would leave them totally vulnerable.

Maintenance of diversity—and security—in one's sources of energy would likewise provide continuity between present and future. By support of diversified oil-producing sources and of reasonably economic domestic energy industries, it would ensure the maintenance of capacity that could contribute significantly to energy requirements over the years ahead.

There is no simple formula to determine the requirements of oil security. However, a general approach might be somewhat as follows. If oil supplies were to be interrupted from one or several important producing areas, or become subject to unacceptable terms, then remaining sources of supply together with extant stocks should be capable of sustaining essential activities for a prolonged period, until the potential loss of revenue and the possible economic and political repercussions had become matters of serious concern to the producing country. If this were appreciated in advance, any threat of interruption might well be avoided; and if it came to pass, the consuming countries would be in a position to withstand it.

The greatest measure of security undoubtedly rests in the diversification of producing areas from which oil supplies can be obtained. Here the internationally integrated oil companies contribute very considerable diversification through the development of production in widespread areas of the world. In their established operations, these companies have been singularly successful in meeting unexpected increases in demand or disruptions in normal patterns

of supply. Recent years have also witnessed a greater emphasis on the exploration of new producing areas. And the number of companies engaged in the search for oil has increased sharply. If these developments have contributed to the present world oil surplus, they have also promoted increased diversification of supply which in the long run would help to ensure a continued flow of oil.

Oil policy in the United States is also an important factor bearing on the potential security of other oil-importing countries. Import restrictions, instituted in July 1957, seem to an American to have a two-fold effect. The United States avoids dependence on the same sources of supply as go to meet European and other eastern hemisphere requirements. And protective measures taken on behalf of the American producing industry help to sustain a large "resource base." This represents capacity in being, to which other countries could also turn in an emergency, should normal sources of supply be disrupted.

Reasonable provision for ready stocks of crude oil and products within consuming countries, as is already the case to a substantial extent, also contributes to security. An obvious problem is the cost of stockpiling—to provide storage facilities and to carry oil inventories. The oil companies themselves are certainly aware of the importance of carrying stocks in consuming areas, but obviously they cannot be indifferent to the burden which such costs impose on their commercial operations. On the other hand, consuming industries also have an interest in the ready availability of oil supplies; and national governments too. Under the circumstances, stockpiling would properly involve some reasonable apportionment of costs among suppliers, users, and governments.

At the same time, indigenous energy industries would warrant support, wherever they can produce under reasonably economic conditions. This does not necessarily mean that local fuels need everywhere and at all times meet the competitive prices of imported energy. In world oil commerce, for example, it has not been the case that petroleum requirements were met entirely from lowest-cost producing areas. If it had, a few producing areas might have pre-empted the world oil trade; productive capacity elsewhere would then have been abandoned, and the search for oil cut back

TABLE III
ESTIMATED OIL REVENUES*, SELECTED COUNTRIES,
1950, 1955, AND 1960
(Millions of Dollars)

	1950	1955	1960
Iran	45	91	285
Iraq	15	206	275
Kuwait(a)	12	282	385
Saudi Arabia(a)	113	275	335
Venezuela	330	596	865

* Approximate, including royalties, rents, fees, income taxes, and back payments. Taxes on transit operations are also included.
(a) Includes revenues from the Neutral Zone.

Sources: United Nations, *Economic Developments in the Middle East, 1958-1959*; Alirio A. Parra and Gustavo Escobar, *Fiscal Obligations of the Venezuelan Petroleum Industry*; a paper presented before the Second Arab Petroleum Congress, October 1960; press releases.

sharply. In the event, the conditions of world oil trade might have become subject to a one-sided dependence on the small number of producing areas that remained. As a result, and with the natural exhaustion of the few producing fields, the trend in oil prices might soon have been sharply upward.

Perhaps the most that can reasonably be expected during these difficult times of economic uncertainties and political tensions is some sort of uneasy equilibrium among the various conflicting interests centering around international oil. This equilibrium would be sensitive to developments on all sides, but one hopes that none need endanger it. It is true that in the future nothing is apt to be as secure as in the past. But the free world can cope with uncertainty and a lack of tidiness in world oil affairs, as it must in all others. The problem should not be abandoned wholly to governments merely because a simple or neat settlement appears unlikely.

There is a tendency now for many countries to secure their own interests in this business solely through political devices. Whatever the intentions or merits in individual instances, it is important to avoid such a proliferation of barriers as would undermine the rational allocation of resources and the efficient performance of oil operations. It is an unfortunate reality that government interposition in producing countries tends to beget a political reaction in consuming countries, and vice versa. The danger is that every oil problem, commercial or otherwise, would tend to become an intergovernmental affair, or subject to a tug-of-war between political blocks, or an issue in the East/West struggle.

LESSONS OF INTERDEPENDENCE

WHAT may be called for is not so much a solution to the difficulties of the moment as comprehension of underlying realities. One is the basic and continuing interdependence of all parties to the world oil trade. There is a real danger that a few producing countries, because they have physical control over huge resources, might believe that they have special power over the world oil equation. In fact, producing countries depend to an extraordinary extent upon the countries that are their major customers, and upon the companies that are responsible for the development of their resources and the marketing of their production. In the Middle East, for example, government oil revenues have risen from less than \$200 million to about \$1.3 billion a year in the past decade. On the other hand, importing countries likewise depend on the major producing areas for the energy that is essential to their continued prosperity.

Inevitably there will be marked changes in world oil arrangements, through the renegotiation of concessions or different approaches in new agreements. But the recognition of interdependence should prevent either side from asking too much, or attempting to achieve its ends through unilateral action. And whatever new arrangements might evolve, they must not destroy the incentives for continued investment; they must provide for reasonable stability of operations; and they must assure the companies of sufficient managerial control for the planning and co-ordination of their world-wide responsibilities toward producing as well as importing countries.

But while the difficulties of the present are substantial, the prospects for the future are impressive. As noted earlier, oil consumption in the free world could reach almost 2 billion tons by 1975 of which more than half would be in the eastern hemisphere. Over the fifteen years, eastern hemisphere production could aggregate almost 10 billion tons—to meet the area's own needs and to fill the import requirements of the western hemisphere. The oil resources should be available to meet these rapidly rising requirements. But great investment will be needed.

It is precisely here that the international oil industry will have to play a pivotal role. In consideration of demand among all oil-consuming countries, it will have to provide for increasing production in existing areas and maintain exploration in widely scattered regions. In anticipation of future demand, it must plan now to provide the necessary facilities. To do these, the industry must be left with reasonable freedom to plan its investments and to manage its affairs. If nationalistic, political and "cold war" pressures tear our world asunder, the international oil company can hardly remain alone as a cohesive and constructive world-wide enterprise. Given a modicum of law and order, the industry will be able to function in a rapidly changing world; though many of the changes may not be easy or attractive. But in any rational evaluation of future prospects, its contribution should be no less essential than in the past. And a period of huge expansion in oil demand and production should offer untold opportunities to all if only industry and governments can tackle constructively with the problems of transition.

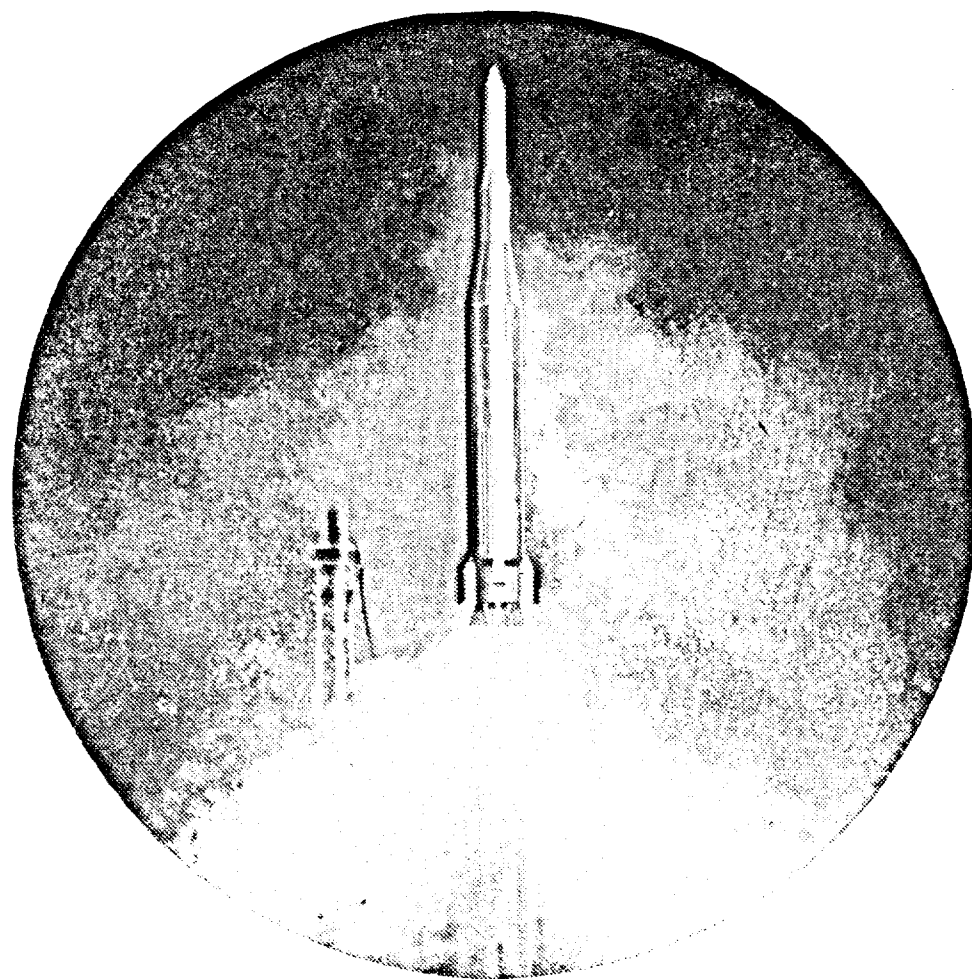
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THE BUSINESS WORLD

Should Gas Be Nationalised?

FOR several years it has been a matter of interest to speculate whether, and how soon, a Conservative government would have to nationalise the British gas industry. Now it looks as if this one may have to, and soon. "Nationalise," in this context, means just what it says: make national. What the Labour government did in 1948 was to concentrate a huddle of big and little gas undertakings, owned privately or municipally, into twelve bigish, regional, publicly-owned businesses. But to outsiders it has been growing steadily more obvious for years that certain of the things this industry needed to do to survive in a competitive fuel economy—the only "growth elements," indeed, that offer much hope for its future development—would have to be planned and organised, at least, on a national scale. By 1960, even the gas industry—or most of it—had come to accept this. But how?

That is the question to which the Select Committee on Nationalised Industries addressed itself at the conclusion of an eight-month look at this industry, upon which it reported this week. It did not take this committee, which has become in the last four years so much more effective an instrument of Parliament than anyone would have predicted from its beginnings, long to appreciate that "the present structure of the industry is not suitable for developing and establishing large-scale production and distribution facilities," or the reasons why:

It is clear that recent technological advance has brought the gas industry to a position which was not envisaged in the Gas Act, 1948. The emphasis of that Act was on the independence of Area Boards; technologically, the emphasis today is on their inter-dependence. To make gas more cheaply, to store and transmit it more cheaply, require collective action of some kind.

The technological changes involved have often been discussed at some length in these columns*; but the briefest outline of them is necessary, in that decisions about them are integral to decisions about the structure of the industry.

The two significant technological developments in the supply of gas that are now impending, as alternatives or in conjunction, for this industry, are the import of methane and the development of complete gasification of non-coking coals, primarily by the Lurgi process. The development in storage is the utilisation of underground cavities and structures for the storage of gas in great volumes, which would allow a steady, base-load supply of cheap gas to be married

with the industry's fluctuating annual demand. The development in transmission would be the movement of gas over distances that are relatively long for this country along pipelines or mains at high pressure. To offer really cheap delivered prices, methane would need to be imported and/or Lurgi gas produced in volumes too great for any single regional board to assimilate into its regular supplies alone. The places where underground caverns happen to be bear no necessary relation to where the largest volumes of gas happen to be saleable. Long-distance transmission of gas over a "national grid" is only an economic proposition at high pressures, so that even a cheap, large-scale source of gas at low pressure would incur the extra costs of compression if it had to travel this far. But this transmission requirement would fit in neatly with methane from the reforming plant where it might be converted into town gas or Lurgi gas from the gasifier, both of which come in any case at high pressures.

IT is probably true, as the Ministry of Power argued to the select committee, that neither the industry's decentralised structure of twelve economically responsible boards and a kind of loose confederation at the top, the Gas Council, nor the terms of the Gas Act of 1948, would formally quite preclude joint operations on a scale broader than any one board. But the select committee, considering the practical difficulty of getting a number of independent chairmen to fall in with the lead of a council of limited powers, concludes: "While the existing statutory powers may in theory be adequate, in practice they are not so." Anyone who in recent years has watched the slow awakening of most of this industry to its predicament as well as to its technical possibilities, under the prodding of its few zealots, must have the same feeling. For these technical developments are by no means further advances in a steady progression; they are opportunities for the gas industry to escape from traditional technology at the end of its tether. Carbonisation plant makes coke as well as gas; demand for coke is probably in secular decline, and in any case its high costs of transport preclude the concentration of production into really large plants that might reap significant further economies of scale. That has left carbonisation, an extremely highly-capitalised process, unable to escape the full inflation of plant prices; and these have now risen to a level that makes replacement of existing plant hardly economic without increasing the price of gas in a market

* For instance, in "Choosing Cheaper Gas" *The Economist*, December 10th and 17th, 1960.

where the fuel costs too much already. Getting the industry to realise this has been a long business. It is true that on one positive development, the import of methane, it has not moved so slowly. But this was because the whole methane project is in the hands of certain of the zealots of the industry—whose problem of replacing plant that is on the verge of falling down is perhaps bigger than anyone else's in the industry.

The select committee reckons that there are three possible ways of developing these new large-scale forms of gas technology, which are probably the industry's only hopes for the future, though possibly quite bright ones. First, leave the present structure of the industry unchanged. Seven area boards have after all accepted the methane scheme. Cannot they be trusted to show the same "spirit of collective co-operation" again? The select committee agrees with the Gas Council (or at least, presumably again, with its chairman, who appears to have given a marathon performance with evidence) that the Council as is cannot.

A second possibility is to harden the Gas Council, the existing soft centre of the industry, with fresh powers, and give it the job of new large-scale development. This, apparently, was what the council itself proposed to the Ministry in July last year. What it wanted were powers to manufacture and supply gas. These powers would be permissive, and used only in cases that the council could justify to the Minister, but, on the other hand, before approving any proposal to manufacture gas by an area board wishing to make its own gas rather than take the council's grid gas, the minister "would have to take into account the Gas Council's views." Area board chairmen had agreed to this proposal to give the council coercive power—though some of them, to the select committee, voiced subsequent doubts.

THE third possibility, which the select committee appears itself to have suggested to the industry's witnesses, would be that

a thirteenth board should be set up to develop and carry out the large-scale manufacture of cheaper gas which would then be sold to all or some of the Area Boards.

This would become eventually, though not from the outset, analogous to the position of the Central Electricity Generating Board and the Electricity Council. For quite a long time the area boards would go on operating their existing plant themselves. As this wore out and the base load of demand was taken over by cheaper gas from a national grid, area manufacture of gas might be reduced to peak load supplies from old or specially-designed plant; or possibly to the manufacture of gas (for enrichment with methane or not) by other methods than Lurgi, such as the reforming of naphtha, which if economically competitive might well be so on a smaller scale. Gradually the area boards would become to a much larger extent what they are in electricity supply—retailers of a fuel they buy wholesale.

This third way of giving the gas industry the new technology it needs is the one that the select committee, albeit somewhat tentatively, would choose. It thinks there would be an advantage in having a board with responsibility for production and distribution on a national scale but no other responsibilities, leaving it single-minded to apply the drive

that has been so notably lacking in pushing on development of the Lurgi process. It also thinks there would be an advantage in leaving the Gas Council impartial and disinterested in any conflict between large-scale production and area board production. It is worth adding that putting this responsibility for large-scale manufacture and transmission at the centre would put steadily increasing power there. Whether this power could properly be exercised by a council of a few full-time members surrounded by ex-officio members from their somewhat subordinate customers—something like the old Central Electricity Authority?—is doubtful. Admittedly, we have not yet had enough experience of the alternative formula under which a collective council oversees a generating and transmission board plus its retail customer boards, in electricity, to judge it properly. But at least it offers the possibility that a higher body can hold the balance.

The argument for centralising this responsibility for the new processes, to the select committee and the onlooker, arises basically from the feeling that impetus needs to be put behind getting them from controversy to operating reality, which certainly has not happened with the development of coal gasification. The committee's report paints a depressing picture of delays, indecision, changes of mind and pace. The impetus, indeed, will probably be needed—if development of both these lines of advance is to go on—primarily in the next few years, "from ideas to ironmongery." For methane, this has already been given by the North Thames Gas Board, backed by the great technical capacity of the oil industry. And once methane got on the move, at least, one would not have to worry about continued impetus: the oil industry could be trusted to keep its distributors technically up to the mark. Coldbloodedly, one could say that if the intention were simply to go for reformed methane, and to drop Lurgi development, that is to say, the immediate need for a new body to push on would be less strong, and the question of ownership of reforming plants, if not of the transmission grid, might possibly wait.

The Gas Council insists, however, whether the Coal Board believes it or not, that it does not wish simply to take methane, reformed and perhaps later straight, as a single source of cheap gas. It says it does want to develop Lurgi, for enrichment with methane, if this is economic. If that is so—and if that is the way that the Minister's decision on these matters should oblige it at least to start going—then the case for a new body to push on development of all the chosen large-scale techniques, and probably for one independent of the Gas Council, becomes that much stronger. For most of the top people in the arguments about Lurgi and methane have become far too polarised in judgment or prejudice one way or the other. If the technical decision is for or includes Lurgi, enriched with methane or some cheaper hydrocarbon, there will be a need for some new protagonist committed only to develop cheaper gas quickly, by whatever route the Government points out. Whether such a body could usefully be made purely a department responsible to a council several of whose members are now almost emotionally opposed to further development with coal is doubtful. To quite a considerable degree, therefore, the new structure that one would choose for this industry will depend on the basic decisions that have to be taken about its technology. But that is as it should be.

BUSINESS NOTES

OVERSEAS INVESTMENT

How Strict a Scrutiny?

WHEN the Chancellor of the Exchequer announced as part of his July measures a "more severe" test of investment projects in non-sterling countries, he said that this would require

clear and commensurate benefits to United Kingdom export earnings and to the balance of payments.

The next day Mr Anthony Barber, Economic Secretary to the Treasury, stiffened this by adding "in the short-term"; and press comment this week has suggested that the Treasury is in fact interpreting this criterion so narrowly that virtually the only projects that will meet the new test are those directly related to export promotion. The Treasury, for its part, stands pat on its spokesmen's words, and emphasises that these mean what they say. They do not involve anything like a general ban on overseas factory projects; "short-term" does not necessarily mean twelve to eighteen months, and the long-term considerations in each case will not be disregarded. The change is one of emphasis: the prospect of getting something back soon in current earnings, whether through exports or remitted income, is being given considerably greater weight than before.

What is still unclear is whether the Treasury is proposing a major change of policy—a "pause" in overseas investment as well as wages—or whether, as most people took Mr Lloyd to mean, the tightening in official scrutiny will affect only the marginal proposition, rather than the general run. Like most aspects of the new policy this has been very poorly explained to the public. The point needs to be cleared up.

This is a sphere in which supposed toughness could have odd and undesirable results. For one thing, no similar controls apply to investment in the sterling area. It is true that in recent years political influences have themselves acted as a forceful deterrent; the City no longer seeks to circumvent the credit squeeze by putting money into Rhodesia. At the same time, however, Britain is sending growing amounts to sterling countries through Government loans and grants, which however desirable they may be on political and humanitarian grounds yield precious little return financially. A general curb on investment projects in non-sterling countries that business firms judge profitable would therefore almost certainly reduce still further the average rate of return that Britain gets on its overseas capital outgoings as a whole; while Treasury officials would hardly claim that they are in a position to

apply a selective curb in any scientific way.

There is much more sense in present official efforts to get more income back from existing investments: exchange control officials from the Bank of England have been renewing old contacts in the past week or so. But here too there is no control on investments in the sterling area; while it is anomalous, to say the least, that present tax legislation actually puts a penalty on distribution. There is a further point. Restrictions on direct investment in European countries—and it is these countries that are attracting most attention at present—could not be maintained without a special dispensation if Britain signed the Treaty of Rome. Possibly the Treasury feels that this need not get in the way of an interim pause. But a break in the policy of freer movement of this kind of capital, which has proceeded steadily over the past few years and would be bound to proceed further if Britain joins the common market, would make little sense.

IN THE MARKETS

Gilt-Edged Recovery

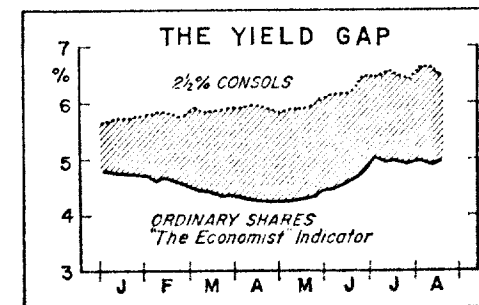
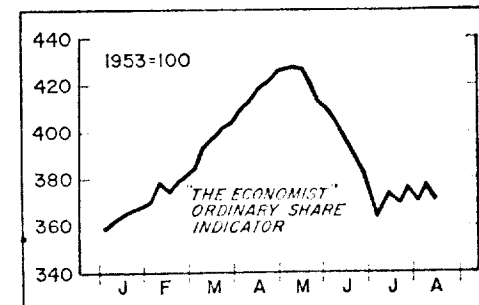
THE London stock markets have become quieter and steadier this week following the gyrations of the previous fortnight. The sudden inflation of equity prices and further marking down of gilt-edged that took place on the two days following the enactment of the trustee bill can now be clearly seen as a momentary aberration. The subsequent recovery in gilt-edged has continued this week, though partly under the influence of Berlin the volume of buying has been smaller than in the previous week, when the government broker was able to resume his funding sales in a big way. Selling by trustees has continued, but not on a scale sufficient to upset the market.

Indeed it has been considerably less than many people had reckoned on, and the bears have been squeezed. Institutions that had held off the market in the hope of seeing prices go still lower have now stepped in to buy, and personal investors have also come in as buyers, especially at the short end of the market. As the tabulation on page 735 shows, short bonds now offer outstandingly attractive yields, with little risk of depreciation. More venturesome investors have been prepared to put their money into irredeemables again, and War Loan has edged up to 53—its net price of 52½ comparing with the all time low point of 49½ on August 4th.

There are indications that the government intends to apply its new measures more toughly than some sceptics first thought likely, and this influence should tend to favour gilt-edged in relation to equities. Much still needs to be proved before the gilt-edged prospect is assured. The government must go through with a tough policy, not merely proclaim it. It must consolidate foreign confidence in sterling and before long there must be a significant rise in exports. Even if all this happens, the investor in gilt-edged is likely to have his nerves tried in coming months by outcries over Berlin abroad and strikes at home. On balance, at the least, more investors are now likely to agree that there is once again a place for gilt-edged in their portfolio.

Impact of New Issues

THE Berlin crisis gave equities a knock after the weekend but it was only a slight one, not least because equities had fallen sharply the week before on more sober assessments of the state of the British economy. The growth in international tension, however, has not been minimised in Throgmorton Street. The underwriters of the convertible debenture issue by Courage Barclay and Simonds have taken it seriously enough to introduce a war risk clause. Such clauses were common before the war but have not since been greatly used, except at the time of the Korean crisis; they give the underwriters the right to cancel their obligations if in their opinion international conditions have deteriorated so far as to involve the risk of an imminent outbreak of hostilities. Another effect of the Berlin crisis has been



the reduction in the volume of business in the industrial market, where in the middle of the week a small amount of buying, including a little by trustees, pushed enquiry prices up slightly.

One reason for caution is the knowledge that as a result of the Chancellor's measures new issues will press even more heavily upon the market. The failure of the big rights issue by Colvilles of 5,324,906 ordinary shares at 57s. 6d. each, of which nearly 85 per cent was left with the underwriters, illustrates the pressure that is building up on investible funds and, as it leaves the underwriters with so much stock in their hands, it may contribute to further failures unless the terms of future issues are made even more generous to the lenders. The borrowers have to find ways of making their issues attractive while trying to limit their liabilities as much as they can. Courage Barclay and Simonds has chosen this course for funding its bank loans of £6.1 million, largely raised to pay for Bristol Brewery Georges. CBS proposes to raise nearly £7.5 million by offering a 6½ per cent convertible debenture, 1976-81, at 99. On a straightforward debenture issue the coupon would not be high enough to attract full subscription and the carrot is the terms of the conversion, which give the debenture holders the right to convert into ordinary shares at a price equivalent to 61s. 10d. in 1963, 63s. 10d. in 1964 and 66s. in 1965. By the time the rights are exercisable, many of the benefits of integration within this brewing group should be apparent and so, too, should be the degree of initial success attending the "Harp" lager venture in which CBS is participating. But this looks some way ahead and, in marking the CBS shares down by 4s. to 57s., the market was more conscious of the immediate fact that CBS will have more permanent capital to service.

PUBLIC INDUSTRIES

The Rate for the Man

WHILE one nationalised industry is losing one of its senior men to private industry, another has managed to make a catch the other way. The common factor in this week's bout of management trading has been willingness to pay the right price. What the Coal Board was paying Mr Henry Longden, who is leaving the chairmanship of the board's west midlands division at the end of next month to become deputy chairman and chief executive of the Cementation Company (which sinks a lot of the board's new pit shafts), has never been disclosed. The board, whose own members are appointed by the Minister of Power at salaries that are fixed by him and published, has complete freedom in appointing its own divisional board members. But there is apparently a practical limit. Lord Robens, commenting upon Mr Longden's resignation, said that the terms offered by Cemen-

tation were "such that the Coal Board could not match them."

For the only one of this week's three new appointments to the Transport Commission (and eventually to the British Railways Board) that involves any real poaching from private industry, the Minister of Transport has got away with the minimum rate possible. Mr P. H. Shirley, at present Chairman of Batchelors Foods, in the Unilever group, is to be paid £12,000 a year "to place him in the same financial position" during his period of secondment which at present will be five years. Thus Mr Shirley, who is now 48, will retain his Unilever pension rights in the same way that Dr Beeching's status for a pension from Imperial Chemical Industries has been preserved. The second new appointment to the commission is of a man who, at the age of 52, had already retired. Until May 1960 Mr L. H. Williams was managing director of Shell Chemical; he was then transferred to Shell International Chemical for an appointment that apparently did not materialise and last month resigned "by mutual agreement" on a pension boosted by nearly twenty years of overseas service with Shell. On the commission he will receive the basic rate for full time members of £7,500 a year. The third appointment is the promotion of Sir Philip Warter from part-time chairman of the Southern region and part-time member of the commission to be Sir John Benstead's successor as deputy-chairman under Dr Beeching—also a part-time post as he will remain as chairman of Associated British Picture Corporation. But his salary from the railways will go up from £2,000 a year to £6,000, compared with the £8,000 Sir John Benstead has been receiving.

Ministers and the Law

IN what is to some degree an aside from the main argument of its report on the gas industry (which is discussed in an article beginning on page 731), the Select Committee on Nationalised Industries this week returns to one of its recurrent complaints, and takes issue with one significant detail of the government's new policy towards nationalised industries. It agrees with the broad purpose and method of that policy, as set out in a White Paper* early this year—that each board should be set an individual "target" rate of return on capital which it would be required to earn as an average over five-year periods. But it notes acutely that this white paper's reference to the informal control that the ministers concerned exercise over these industries' prices "appears to admit that governments have always acted beyond the statute" and to suggest that they should go on doing so.

The white paper did confirm that the industries concerned had the right to publish—later, in their annual reports—details of cases where the Minister had overruled them on price changes, putting the responsi-

* The Financial and Economic Obligations of the Nationalised Industries. Cmd. 1337, 1961.

bility back to the ministry where it belongs. The select committee comments

But until the matter is made public there would be no knowledge of where the responsibility lay, and Parliament would have no basis on which to question the Minister.

How generally, indeed, does the fact and result of the intervention—which for example in 1958-59 and 1959-60 put one gas board that would have made a profit into the red, and reduced the degree of self-financing of investment that another had intended to achieve—ever get known?

The select committee, which has been a strong critic of this kind of underhand intervention ever since it began reporting on the public industries, is not satisfied. It suggests that a written statement of any ministerial intervention on tariffs should be laid before Parliament at the time it is made. Secondly, as soon as possible "an amending Gas Bill" (and by implication amending bills for the other public industries) should be introduced, giving the Minister the statutory power to intervene as he in practice, outside the law, does intervene already. There may be a case for giving ministers an ultimate right of veto over price changes in these publicly-owned industries. There is no case for allowing them to do so without regard to the statutes.

OUTPUT

An Increase Observed

INDUSTRIAL output, as measured by the official figures, has moved up a little since Easter. But only by a little. For the second quarter as a whole the increase, allowing for seasonal differences, was just over one per cent above the volume of production in the first three months of 1961 and in the three previous quarters of no change. By June industrial production was almost two per cent higher. Clearly the rise in personal and government spending, the pick up of exports, and the sustained high rate of investment earlier this year has now

INDEX OF INDUSTRIAL PRODUCTION

	Unadjusted		Seasonally Corrected	
	1960	1961	1960	1961
January	120	120	119	120
February	123	125	119	121
March	126	126	120	121
April	120	123	121	122
May	125	122	121	122
June	119	126	120	123
July	109	120		
August	104	121		
September ..	123	121		
October	127	121		
November ..	127	120		
December ..	120	121		

made some mark at the factory. Output among the engineering industries rose rather faster at the beginning of the summer, partly reflecting a higher tempo of work by some electrical capital and consumer goods manufacturers and probably also under the impact of larger orders for

intermediate supplies from the motor firms. Car output has picked up quite sharply. Some of the "soft" consumer trades, such as textiles, were also doing a little better.

The more important question, however, is what will be the trend of output in coming months? Consumer spending appeared set on a somewhat slower rate of growth before last month's increase in excise and customs duties (and the momentary splurge of anticipatory buying that induced). But investment in plant and machinery, though possibly not in new buildings, remains buoyant. Government and other public sector expenditure of all kinds is under renewed restraint. The course of exports remains to be discovered. Basically the answer may still hinge upon future trends in stocks. There are signs that some retail stocks are in better balance, cars for instance but certainly not refrigerators. At the other end of the line, however, steel users have been reducing their holdings.

OVERSEAS TRADE

Back in Surplus?

THE monthly figures of Britain's overseas trade shipments, which all this year have been closely watched by the stock markets as well as the exchange markets, once again show little decisive movement. The July returns suggest that exports, after their modest lift at the beginning of this year, have since then run about level, while the decline in imports from their peak at the end of 1960 has continued, though at a modest pace. The balance of trade in July was in fact less favourable than in June, but exports in that month were somewhat swollen by left-overs from the latest of London's dock strikes. Even so it is a little disappointing that the seasonally adjusted figure calculated by the Board of Trade dropped on the month by as much as £24

million, to £307 million. The combined total for May, June and July was just one half per cent above that for the previous

UNITED KINGDOM TRADE

	Exports	Re-exports	Imports
	fob	fob	cif
1960 2nd quarter	295	11	375
3rd "	290	13	385
4th "	295	12	390
1961 1st quarter	309	12	385
2nd "	306	13	362
1961 February ..	307	11	383
March	301	12	375
April	306	12	354
May	282	13	365
June	331	15	367
July	307	16	354
January-July*	308	13	371

* Provisional

three months, while imports fell by 2½ per cent over the same period.

The apparent trade deficit in July as shown by these figures was £31 million;

Savers' Choice

THE increase in Bank rate to 7 per cent has produced marked changes in the relationships between returns offered by different fixed-interest investments; now that the new rates are more settled, a critical review is worthwhile of where one's savings are placed. In general the rates are above the levels prevailing after September, 1957, when Bank rate was last at 7 per cent. There are two exceptions—the savings banks' deposit rate, which never changes from 2½ per cent; and the deposit rates of the finance houses, which were in the region of 8½ per cent in 1957 when the houses lacked the associations with the clearing banks that most of them now enjoy.

The increases in interest rates have, however, largely by-passed the traditional openings available to the small saver (shown in the top half of the table): as frequently happens when money is very tight, the dramatic increases have been for big lines of money. Only the clearing banks' deposit rate has increased in line with Bank rate, and this rate, which in modern times has usually been uncompetitive, now offers a return of 5 per cent—which to the saver who pays little or no income tax is among the most attractive rates available. For these truly "small" savers the returns offered by the National Savings movement and the building societies now compare unfavour-

	Rate of interest	Grossed-up allowing for tax at 7s. 9d.	Holding Maximum	Minimum
	Per cent	Per cent	£	£
Post Office Savings Bank	2½	4½*	5,000	...
Trustee Savings Bank	2½	4½*	5,000	...
Special investment dept.**	4-4½	4-4½	3,000	...
Savings Certificates	4½	6½	900	...
(Held for over 7 years)				
Defence Bonds	5	5½†	5,000	100
(3 months' notice)				
Clearing banks' deposit rate ..	5	5	...	...
(Seven days' notice)				
Building Society shares:—				
Rates as from October 1	3½	6½	5,000	...
Tax Reserve Certificates ..	3½	5½‡	...	...
Hire purchase companies:—				
Three months' notice	6-8	6-8	...	100-
Six months' notice	7-8½	7-8½	...	5,000
Local Authorities:—				
Two days	7	7	...	over
Seven days	7½	7½	...	20,000
Two to five year mortgage ..	7½-12	7½-12	...	...
Publicly advertised loans ..	6½-12	6½-12	...	50-500
Treasury bills	6½-12	6½-12	...	5,000‡
(On interest rate basis)				
Gilt-edged:—				
3 per cent Exchequer 62/63 ..	6½§	8½	...	100 nom.
2½ per cent Savings 64/67 ..	6½§	8½	...	...
3½ per cent War Loan	6½§	8½	...	...

* The first £15 of interest is free of tax. ** Only after balance of £50 in an ordinary account. † Allowing for the tax free redemption payment of 3 per cent after seven years. ‡ Minimum direct tender is £50,000, but a bank will supply customers with individual bills of £5,000. § Redemption yields. || Interest credited for maximum of two years against tax dues.

ably; but it is a fair point that the terms of savings certificates were also unchanged when Bank rate was reduced to 4 per cent at the end of 1958.

The picture is very different for people who pay tax at the standard rate and benefit from the tax-free or tax-paid facilities. The effective returns to them are shown in the second column of the table and in the chart. The most attractive are those offered by the hire purchase companies and by local authority mortgages. Rates of 8 per cent plus on hire purchase deposits, however, are usually limited to balances in the region of £5,000: the man with £100 to deposit could not expect more than 6-7 per cent. And the London mortgage market is unlikely to look at placings of less than about £20,000. For the small man the best opening is the direct loan to a local authority, offering rates of 6½-6¾ per cent for periods of two to ten years, and the large movement of funds in this direction in the past two weeks suggests that the small saver is not as unsophisticated as is sometimes alleged.

The highest effective rates for the taxpayer are obtainable from short-term marketable securities; the 2½ per cent Savings Bonds 1964-67 now offers a grossed-up redemption yield of 8½ per cent. The effective rates are still higher for the surtax payer—though the budget reliefs have in most cases reduced the marginal surtax rate on unearned income too. The reduction in the number of surtax payers may also limit the demand for tax reserve certificates, the rate for which was raised from 3 per cent to 3½ per cent tax-free this week.

Investors who dispose of sizeable sums now enjoy unprecedented opportunities—and they are increasingly aware of them. Having discovered Treasury bills a few years ago they are now moving into the local authority mortgage market in a big way, and in the past two weeks rates in this market have eased from 7½-7¾ per cent to 7-7½ per cent.

and since distortions such as the uneven valuation of imports and exports swell the debit items by as much as £40 million a month compared with the Treasury's payments figures, there appears to have been a true balance on the right side in July. In the first seven months of the year as a whole however the crude deficit was £50 million, which implies a deficit even on the true basis. A few years ago this would still not have been inconsistent with a surplus on current payments as a whole, but the disappearance of net invisible income has now shifted the whole burden on to merchandise trade.

THE EXCHANGES

Not Only Berlin

THE recovery in sterling that proceeded almost without interruption in the fortnight following the Chancellor's economic statement on July 25th has been checked in the past week. Anxieties over Berlin have certainly been an important influence; but they are not the only reason for the markets' caution. The July measures were generally regarded as a step in the right direction, but as no more than that; judgment on their ultimate efficacy has mostly been withheld, abroad as well as at home, until the wages issue is put to the test.

The limited restoration of confidence was sufficient to encourage dealers to cover their very short (i.e. speculative) positions in sterling, but now that this first flush is over the underlying hesitations are becoming more apparent. The general mood is still quite different from what it was before the measures were announced. But for the time being confidence in sterling might be said to be in neutral rather than positively favourable.

The gathering crisis over Berlin has naturally thrown its shadow over the financial markets as a whole, though the effect has generally been to reduce the volume of business rather than cause sharp price movements. Some funds have moved out of Germany, mainly to Switzerland and Italy—seeking a refuge from both the nuclear bomb and the stresses of the gold exchange standard nowadays poses some pretty problems for the fearful—but the movements have probably been smaller than in previous weeks. These outflows have turned the tide of the Bundesbank's exchange reserves, which showed a fall of some DM 700 million in the four weeks to August 7th. The bank has now suspended its free facilities to German banks for forward swap operations in dollars, and is making a charge of one quarter of one per cent.

At the same time some German banks still see the threat to Berlin as a reason to sell sterling, and on Tuesday the Bank of England appears to have sold some dollars to prevent the rate from falling below its parity of \$2.80. The volume of selling was relatively small however and on Wednesday

BUSINESS NOTES

sterling came in demand on a thin market, and rose to \$2.80½. The US dollar, while it has been relatively strong at Frankfurt, has fallen to its lower support point of 4.31½ in Zurich, though the Swiss National Bank has not had to take in large amounts. Demand for gold coins and gold bars in Zurich has received some stimulus, and in London the dollar price of gold has edged up to \$35.16, but demand has if anything been rather less than in earlier weeks. Repayments by the Bank of England under the Basle arrangements are expected in the next week.

OVERSEAS AVIATION

Flying into Trouble

THE collapse of a small charter airline, Overseas Aviation (C.I.) Ltd, this week has set other small airlines wondering whether their suppliers may become less generous with their credit now than they have been in the past. Just how generous they have been to small airlines can be guessed from the debts of Overseas Aviation (C.I.) Ltd, which ran up bills of about £250,000 each with Rolls-Royce and British Petroleum before both companies cut off its supplies, so grounding the company's aircraft and effectively putting it out of business. The only unique feature was that unlike most airlines, this company does not own the aircraft it flies and could not, therefore, offer its fleet as security for its debts. These aircraft belong to a quite separate company, Overseas Aviation, which is not an airline, which unlike Overseas Aviation (C.I.) Ltd, is registered in this country and not in the Channel Islands, and which hires out the fleet for the charter airline to operate. This aircraft-owning company has only recently made a big purchase from Canada of Trans-Canada Airlines' old fleet of piston-engined Canadairs and now owns about 40 assorted vintage machines. These facts about the ownership of the aircraft were presumably known to the two suppliers when they advanced credit.

The oil companies usually give small airlines a month to pay their bills, but it may take much longer than this to prepare the invoice. Fuel taken on abroad for the journey home is supplied against an international credit card given to the airline by its domestic fuel supplier. It may take up to two months before the domestic supplier (in this case, BP) gets notification from the foreign oil companies of how much fuel they have supplied, so it is not unusual for an airline to get an effective three months' credit, measured from the date the oil was pumped into its tanks. During the busy summer months quite a small airline can easily run up fuel bills well in excess of £100,000 in this way while still paying its bills on the dot. Even if they wished, the oil companies could not avoid giving this kind of credit. By the time belated warning signals do appear, the airline usually

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owes so much to its suppliers that for oil or for spare parts they are tempted to keep up deliveries in the hope of future profits rather than cutting them off, forcing the company into liquidation and cutting what by this time are very substantial losses. In the case of Overseas Aviation (C.I.) Ltd, which has expanded rapidly during the past two years, the aircraft it was using may have cost too much to fly to show a profit in the highly competitive holiday tour business in which it operated however much traffic was carried.

The Independents

OVERSEAS AVIATION (C.I.) Ltd was not one of the 18 independent airlines that are licensed to fly regular scheduled services although it had applied for a licence and had suggested that it might put Viscounts, Vikings and even Trident jets on these routes. Excluding this company, there are perhaps 23 privately-owned airlines in Britain and another 25 or so crop-spraying and air taxi companies. Some of these own a single aircraft only, occasionally as old as a Rapide biplane, others are better and more ambitiously equipped and have great hopes of expanding—albeit modestly—under the new air transport licensing regulations that give them some freedom to fly in competition with the two nationalised air corporations. These are the airlines that must rely on generous credit from their suppliers to get into the air at all; in the past they have existed on a somewhat lean diet of holiday bookings, making what profit they can during the summer. On regular scheduled flights, where they can charge higher fares, they should be able to earn a higher rate of profit; and it would be a disaster for them if this credit was curtailed, just when they have a chance to grow.

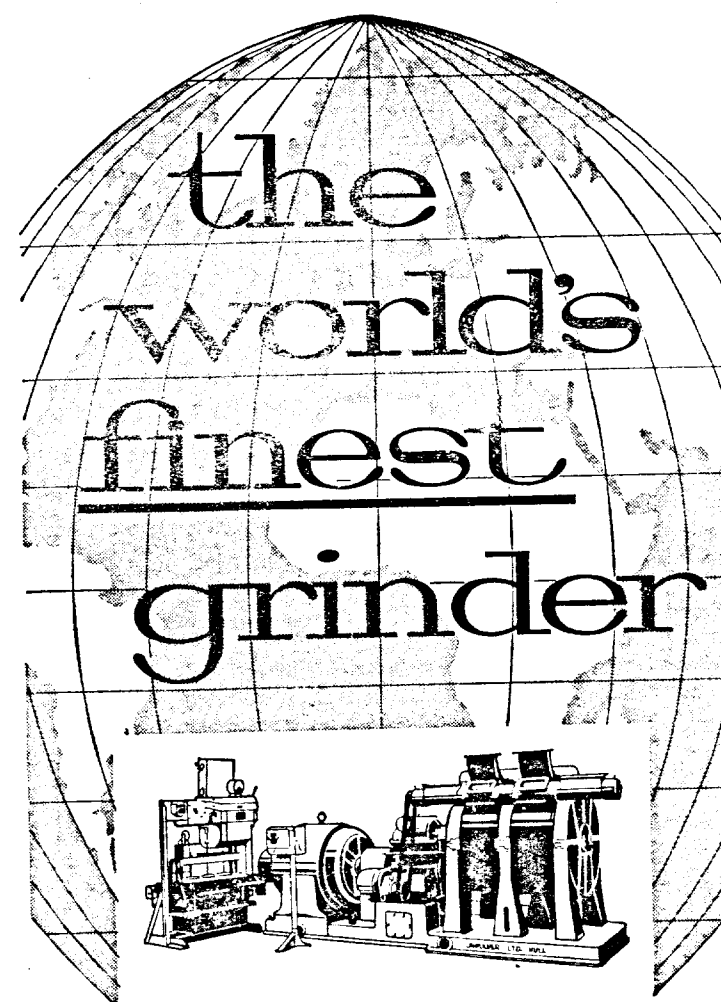
The only independent airlines able to expand rapidly are the four big operators in which the shipping companies have a stake. Biggest of them all is British United Airways, backed by the Clan Line, British and Commonwealth Shipping, Blue Star and Furness Withy. BUA has taken over several of the smaller independent airlines, as has British Aviation Services, better known perhaps as the Silver City car ferry; this group is backed by P and O. Cunard has only recently bought Eagle Airways, which will start regular flights on the North Atlantic with Boeing jets next summer if BOAC loses the appeal to be heard next month against these. The last of the four, Skyways, is backed by the Bibby line.

SOUTH AFRICAN SUGAR

Bitter Truths

IN Whitehall's words, continued participation in the Commonwealth sugar agreement by the South African sugar industry

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and exporters is not compatible with South Africa's status as a foreign country. South Africa's representatives did not come 6,000 miles to hear that: a glance at the opening paragraphs of the agreement would have told them as much. They came to hear what the British government intended to do about it and have learned that, so far as South Africa is concerned, the agreement remains valid until the end of this year; after that all South Africa's rights and obligations under the agreement will end. The reason for taking the plunge now and not waiting for the omnibus settlement of all outstanding trade problems between this country and South Africa is that a crucial meeting of the International Sugar Council will be held next month. In its third year, the international scheme must be reviewed and adjusted; it has two further years to run.

Exclusion from the Commonwealth agreement will leave South Africa free to join the international scheme as an independent member. If it wishes to join, Britain will support its application for membership with the full export entitlement of 217,000 tons under the Commonwealth scheme. A

straight swap from membership under Article 16 to "independence" under Article 14 of the international agreement can presumably be fairly easily arranged. There are several clubs in sugar; membership of the Commonwealth scheme gives South Africa a right to £45 a ton (cif UK) for 157,000 tons of its exports this year. South Africa produces about 1 million tons of sugar a year. Permissible exports to Britain and Canada are about 217,000 tons, on the balance of which South Africa receives imperial preference, now worth £4 2s. 6d. a ton for raw sugar of standard grade. A slight confusion exists about the present rate of preference. A side-effect of the recently imposed 10 per cent surcharge has been to increase this preference in favour of Commonwealth countries. As the scale of duty was originally fixed to give Commonwealth producers a preference of £3 15s. a ton, some dealers are wondering whether an adjustment might now be made.

A sugar producer would give a good deal to be on the list of countries granted import quotas by the United States, which also offers far more than current world prices to

its suppliers. An exporter left outside these groupings finds it very cold indeed at the present time. Sugar fell to £22½ a ton, the lowest level since the end of the war but recovered slightly on Thursday. The terms under which South African sugar may enter this country next year have not yet been decided. Further consultations will be held after the international meeting. All the privileges South Africa now enjoys could be restored by a separate agreement. Sugar producers in Swaziland were part of the South African industry for the purposes of the Commonwealth sugar agreement. The British government will presumably wish to differentiate between them in future.

THE NEW CUNARDER

Any More for the Skylark?

THE saga of the *Queen Mary* replacement will descend into utter absurdity if it turns out that the shipyard eventually awarded the contract has submitted an unprofitable tender, as Lord Aberconway has now told his shareholders John Brown has done. His argument for having done so is that the group's shipbuilding subsidiary would be "better off with [the order] than without it." The five other yards that tendered (counting as two Swan, Hunter and Vickers-Armstrongs who made a joint, Tyneside bid) have been under similar pressure of rapidly diminishing order books, as the figures in the table show. The

SHIPS IN THE YARDS

(Mid-year '000 gross tons)

	1957	1958	1959	1960	1961
John Brown	255	207	212	172	116
Cammell Laird	387	288	182	221	162
Fairfield	201	166	129	107	105
Harland & Wolff	659	566	434	362	240
Swan, Hunter	514	350	264	258	209
Vickers-Armstrongs	281	220	154	142	84
	2,297	1,797	1,375	1,262	916

Total number of ships 124 92 65 68 49
(Based on figures published by *Shipping World*.)

question is whether any of these other yards reckoned they could build a 75,000-ton luxury liner at a profit for £30 million, the price that sets the ceiling for Government assistance and which is now also the limit Cunard itself is prepared to accept without "reconsidering the entire project." The answer will presumably become apparent after October, when Cunard hopes to have completed its scrutiny of the tenders—a process, incidentally, that is being compressed into two to three months compared with the even tighter three months that the shipyards had to compile the tenders.

The situation at the moment, then, is that the liner that cannot be run at a profit can not apparently be built at a profit by the shipyard in the best position to do so by reason of its long and intimate association with the owners. What could be sillier? And while this goes on the number of transatlantic passengers going by sea is growing smaller and smaller—the very factor that thirty years ago caused work on the *Queen Mary* itself to be brought to an abrupt halt.

AIR TRANSPORT

Filling Those Seats

PASSENGERS crossing the North Atlantic this summer in half-empty jets might be forgiven for thinking a disastrous drop had taken place in air traffic this year, but the figures leaking through from various sources do not bear this out. The International Air Transport Association reports that an extra 87,000 people crossed the North Atlantic on regular scheduled air services in the first half of this year, making a total of nearly 800,000—an increase of more than 12 per cent. Pan American World Airways has just announced that its passenger traffic in June, when the holiday season begins to get under way, was 21 per cent greater than the year before. In addition, IATA records that both freight and mail traffic increased by substantially more than a third during the summer. This hardly spells "slump," and these relatively comforting returns take no account of the numbers that must have flown the Atlantic on non-scheduled, holiday charter flights. In recent years, charter passengers have accounted for perhaps 10 per cent of all North Atlantic traffic but BOAC, which drew £4 million, or nearly five per cent of its revenue last year from charters in the North Atlantic and Caribbean, has increased its charter traffic this summer by 50 per cent.

There has probably been some diversion of traffic from normal scheduled flights to chartered aircraft in which passengers travel for roughly half the normal fare, but in the main those conspicuously empty seats are part of the 50 per cent extra seating capacity that the airlines have put on the North Atlantic this year. They cannot seriously have expected that air traffic would have increased by as much as this. North Atlantic traffic increased by a quarter last year and it has never been suggested that the rate of growth could double itself in twelve months—at least without some special stimulus such as striking cuts in fares. It is reported that airlines inside the United States are tying themselves in knots trying to design fares that will attract new holiday business into the air without leading to a stampede of regular air travellers, mainly business men, into the cheaper seats. Special excursion fares and half-fares for under 21s are among the devices being tried. But the US internal airlines have the added problem that their first-class business traffic is leaking away as more big companies start to operate their own executive aircraft. This form of competition does not exist yet on the North Atlantic, but it might come one day.

BRITISH COLUMBIA POWER

An Arbitrary Act

AT this distance it is difficult to discern the shades of political opinion that colour the decision by the provincial govern-

ment of British Columbia to expropriate British Columbia Electric, the principal electrical operating subsidiary of British Columbia Power. The Premier, Mr W. A. C. Bennett, leader of the Social Credit Party, is pushing through a measure that one of the opposition parties had been urging for years. The clue to this decision may be hidden in the tangled skein of argument about the development of hydro-electric power on the Columbia and Peace rivers. By taking over the ownership of the principal user of such power in Western Canada, the provincial government may be seeking to strengthen its hand in any negotiations; and, as many of Canada's electrical utilities are publicly owned, it may feel that it is treading on safe political ground.

The argument about BCE, however, does not involve the principle of expropriation so much as the manner in which the provincial government has applied it. A bill

was first tabled on August 1st and passed by August 3rd. Its effect is to expropriate the assets of BCE for compensation of about \$111 million and to offer about \$68 million for the other assets of BCP, if it chooses to sell. Both valuations are based on \$38 for each BCP common share. On August 4th the \$111 million for BCE was paid and accepted under protest.

The haste is manifest; so is the extraordinarily arbitrary nature of the Act which precludes any right of appeal. This has evoked angry complaints in investment circles here and in Canada. Another complaint, hardly less strong, is about the valuation itself. An earlier decision of the British Columbia Supreme Court on West Canadian Hydro Electric Corporation laid down the principle that any such valuation should take account of future earnings prospects, historical and replacement costs of physical assets and prices paid for similar utility com-

INSURANCE

Higher Profits at Lloyd's

THE 1958 account of Lloyd's underwriters, which closed at the end of last year, produced a profit of £14.1 million (including £2 million of interest income) from premiums of £301.7 million received for all classes of insurance. This represented a profit of 4½ per cent on the premium income, compared with 3½ per cent in the 1957 account on premiums of £276 million. This is as much as most insurers seem likely to make in a normal year nowadays and it compares favourably, as did Lloyd's surplus for 1957, with the results achieved by insurance companies from their non-life business. Two of the three years of the 1959 account have been completed and this account may produce the biggest surplus since 1953, when a profit of £24.9 million arose from premiums of £226 million. The 1960 account has also opened well; but it is fortunate that aviation claims were abnormally light in the first year of the account, as Lloyd's underwriters have since been faced with heavy claims.

More people are becoming names at Lloyd's each year. In 1960 there were 4,506 underwriters of marine and aviation risks, grouped in 166 syndicates, compared with 3,436 underwriters in 171 syndicates in the 1954 account; non-marine insurance is now underwritten by 4,622 names in 92 syndicates, compared with 3,484 names in 97 syndicates in the 1954 account. Their shrewdness is reflected in the consistent profit achieved before taking credit for investment income, which, in sharp contrast to insurance company accounts, is a relatively unimportant source of income for them. The rise in profits from the traditional types of insurance has probably played a part in the recent decision to shelve the idea of greatly expanding the insignificant life assurance business. With interest rates high, this might seem to be a good moment for Lloyd's to begin building up a life fund; but profits from life policies emerge only slowly and a new fund would need to build up contingencies reserves fairly quickly.

LLOYD'S PREMIUM INCOME AND CLAIMS

Completed Accounts	Marine		Other Business*		Aviation		Motor		Profit†
	Prem. £ mn.	Claims £ mn.	Prem. £ mn.	Claims £ mn.	Prem. £ mn.	Claims £ mn.	Prem. £ mn.	Claims £ mn.	
1954	92.2	80.0	122.5	115.5	9.5	7.3	7.4	6.4	15.9
1955	95.6	87.7	118.7	109.6	10.0	10.1	8.2	7.3	12.8
1956	97.2	94.3	132.1	128.4	13.0	12.9	8.7	6.5	5.7
1957	105.3	100.6	147.7	141.7	13.6	14.5	9.7	7.6	9.7
1958	108.0	101.7	164.3	156.6	17.3	16.4	11.7	9.2	14.1
1958 Year I	74.4	18.6	97.9	28.1	8.8	4.1	10.9	2.1	...
" II	32.9	30.7	67.2	49.6	8.7	6.5	0.9	4.6	...
" III	0.7	52.4	-0.8	78.9	-0.2	5.8	-0.1	2.5	...
1959 Year I	75.2	16.9	105.0	30.2	11.4	6.8	12.0	2.1	...
" II	35.2	26.7	70.5	53.6	9.7	6.6	1.3	4.9	...
1960 Year I	74.5	17.1	109.3	33.3	12.4	4.4	13.2	2.4	...

* Largely fire and accident insurance.

† From all classes of insurance, including interest on underwriting funds.

RETAIL TRADE

The Spending Spree

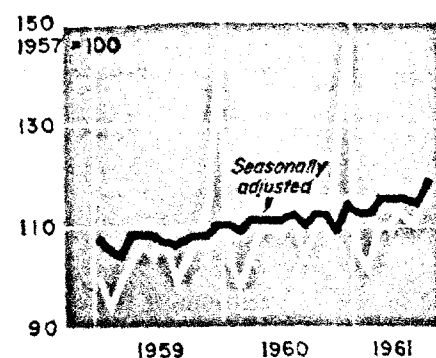
SHOPPERS appear to have responded in no uncertain manner to the incentive given them to stock up before the Chancellor applied his long-publicised surcharge on indirect taxes. According to the Board of Trade's provisional estimate, retail sales, seasonally adjusted, rose 4 per cent above the June level and although at present the statisticians are more worried than usual about their first shots at this index, there is no doubt that business was at an all-time record in July. Admittedly it followed a rather dull trading month, but the rise cannot be explained away as a rebound from exceptional slackness, as was the case when a rise of a similar order occurred last December.

The boom was apparently by no means confined to durable goods shops although, as would be expected, these did particularly well. Nearly one-tenth of all retail spending goes on durables, other than on cars which are not counted as "shop goods," and much the same proportion on tobacco and drink together, on which there must also have

been a particularly heavy run in anticipation of extra duties. A 20 per cent increase in monthly purchases of these three kinds of goods, if they alone had been affected, would have accounted for the rise in the total retail index.

Retailers must now expect some backwash from this spending spree. Before it came, there was no evidence of any momentum in their business. Total turnover in the second quarter of this year was 2 to 3 per cent higher than it had been in the closing months of last year; but prices of goods bought over the counter had risen by about a like amount. Allowing for price rises, food and clothing shops were doing less business and nearly all the increase reflected the recovery in durable goods. Any undue buoyancy seems to have been in the other forms of spending outside the shops, which take about an equal amount of money. Information about these does not go beyond the first quarter of the year but then spending in the pubs, on housing, cars and general services had risen in total about 4 per cent from the previous quarter, whereas retail spending had gone up only about 1 per cent.

Even so, spending as a whole was not keeping up with incomes; contrary to what might have been expected, savings seem to have risen again. Estimates are necessarily very tentative, but, allowing for seasonal influences, personal savings in the first quarter seem to have amounted to nearly 10 per cent of disposable income, a higher proportion than in any quarter on record since these statistics started in 1955. There is nothing in these indicators to suggest that consumer demand was getting out of hand.



houses may cause some borrowers to look to the Halifax for money. It has lent quite generously in the past on such properties from its own resources and without making use of the Government's money.

COPPER

Conflict in Chile

COPPER prices normally respond to the mere threat of a strike. But when wage negotiations broke down recently in Chile, the market refused to discount a strike before it happened; when it occurred, the market assumed it would not last. Even when suppliers of Chilean copper declared *force majeure* on Wednesday, which meant that, because of the strike, they could not fulfil all of their contracts, the announcement put only 10s. a ton on the price of copper. At its current price of about £230 a ton, spot copper seems to have become temporarily insensitive to news of all kinds. A report of disappointing deliveries to American consumers last month following the earlier improvement made little impression. The market has been equally impervious to the political troubles of Northern Rhodesia.

The recent unresponsiveness of copper prices that might have given outsiders the impression that the market is either dead or paralysed has been caused mainly by the high level of stocks that can be drawn on if a gap develops in the supply line, and the capacity to produce more copper which is still being held in reserve by most of the major producers. Copper prices have therefore remained exceptionally stable. The old argument of primary producers—now being put with more conviction—that they are paid “unjust” prices for raw materials by industrialised nations, has cropped up again to cloud relations with Chile.

Two American mining companies operating in Chile, Kennecott and Anaconda, are under constant pressure from would-be nationalists or socialisers. In 1957, communists tried to introduce legislation to abrogate the Chilean Copper Law of 1955 that removed some of the injustices under which the companies laboured. Subsequently, socialists, then radicals attempted to pass legislation to the same effect. Now according to Bache and Company of New York, the extreme right, angered by suggestions from Washington that privileges enjoyed by the rich should end, has joined in the attacks on the companies. The companies are being pressed by workers who demand higher wages and a government which relies on copper for part of its revenue and demands a high rate of expansion in output. Various changes in smelting and sales policy have also been demanded. The value of Chilean copper production approaches £250,000 a day. That is one reason why the market feels that the Chilean government will ensure a fairly early return to work.

BUSINESS NOTES

ROYAL DUTCH SHELL

Profits Up: Expenditure Down

IN the second quarter of 1961 the Royal Dutch/Shell group was selling on the average 2,643,000 barrels a day, about 250,000 barrels a day less than in the first quarter of this year. But as the table shows the gross value of its sales rose, only for this benefit to be eaten away by a further sharp rise in sales taxes and duties. In the past five years sales taxes have risen by over £260 million and in the first six months of this year they rose by a further £20 million.

A reduction in operating expenses was mainly responsible for the improvement in gross income compared with the first quarter. There is some seasonal element in this comparison. Operating expenses were higher than they were in the corresponding period in 1960 and only a further cut of £2 million in taxation enabled the group to report a slender improvement in net income and in net profit margins. On the

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whole the trading results show little change but, significantly, capital expenditure does. Following a decline of £15 million in capital expenditure in the first quarter, expenditure in the second quarter was £20 million less than in the corresponding quarter in 1960. This suggests that total capital expenditure this year might well be completely covered by the group's retained cash flow; last year's expenditure of £419 million was £69 million more than the retained cash flow. An immediate result of this cut in expenditure has been that the group's holdings of cash and short-term securities have remained almost intact.

SALES AND INCOME (£ million)

	1960		1961	
	Quarter (i)	Quarter (ii)	Quarter (i)	Quarter (ii)
Sales :—				
Including duties	661.5	666.9	663.1	687.5
Excluding duties	498.6	484.3	494.8	491.0
Gross income	79.5	83.1	78.7	82.5
Net income	41.8	43.2	42.1	44.7
Gross income/sales*	15.9	17.2	15.9	16.8
Net income/sales*	8.4	8.9	8.5	9.1

* Excluding sales taxes and duties.

SHORTER NOTES

London Midland region of British Railways has decided after all to let work go on at the Kingmoor marshalling yard near Carlisle, but at a slower rate. The region has reallocated its capital budget for this year so as to avoid a complete cessation as construction had recently been going at a faster rate than expected. Apparently the project could have been completed in about five months' time had the present tempo been sustained, but the region claims that it would not have been possible to bring the new yard into full operation immediately since other integral but unspecified parts of its improved freight programme would not have been ready.

national Tin Agreement. Next week's meeting had been expected to discuss proposed changes in the agreement's floor and ceiling prices for tin.

Mr W. F. Crick, general manager for research and statistics at the Midland Bank, will retire next month. Mr J. E. Wadsworth, the present manager of the intelligence department, will become economic adviser.

Plessey, which owns 51 per cent of the capital of Semiconductors, of Swindon, has bought the remaining 49 per cent from the Philco Corporation of Philadelphia. Semiconductors was set up in May, 1957, with a capital of £500,000 to manufacture transistors and other semiconductors.

COMPANY AFFAIRS

Comments on pages 747 and 748 on :
Kennedy Leigh Stock Conversion
John Brown Sovereign Securities
Furness Withy Ultramar
Town & Commercial International Nickel Properties

LONDON AND NEW YORK

Stock prices, yields and security indices on pages 750 and 751

LONDON STOCK EXCHANGE

The week's movements reported on page 743

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 749

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COMPANY MEETINGS

THE UDDEHOLM GROUP

UDDEHOLM—SWEDEN

A YEAR OF RECORD TURNOVER FOR STEEL AND FOREST PRODUCTS
NEW SHARE ISSUE DECLARED

DETAILS OF OPERATIONS

The ninety-first Annual General Meeting of Uddeholms Aktiebolag was held in Karlstad on May 27th, Mr Alf Lindahl, Chairman, presiding. The following is an extract of the report for the 293rd year of business issued by the Managing Director and the Board and circulated with the accounts.

REVIEW OF THE BUSINESS YEAR

The general improvement in demand for the Company's products noted in the previous report continued unabated through 1960, and the Company's plants could be utilised to full capacity. The turnover rose to Kr. 552 million, from Kr. 489.4 million in 1959. Of the increase, Kr. 36.5 million applied to steel and Kr. 26.0 million to forest products and chemicals.

Although the volume of steel deliveries, as well as prices, showed only a modest increase, the turnover of the steel division rose by 13 per cent, from Kr. 282.6 to Kr. 319.1 million. The improvement reflects a shift towards higher product grades and therefore better priced materials. The output and sales of stainless steels, high alloy tool steels, and cold worked products increased and contributed to the satisfactory results. This trend is expected to become further accentuated during 1961.

The forest industries, which suffered a sharp decline in 1958 with poor prices and lowered output, enjoyed a substantial improvement in demand during 1960. The output of pulp rose by 8 per cent and paper by 22 per cent. Of the paper sales, 59 per cent were placed abroad.

Pulp prices, however, still remain unsatisfactory due to competition from American mills, and it has not yet been possible to offset the increased costs.

The Degerfors Plant, previously managed as an independent subsidiary, was merged with the parent company and its assets and liabilities are included in the accounts.

The unappropriated net earnings at the end of the year amounted to Kr. 78.7 million, and the Board proposed that Kr. 41.3 million should be retained in the business by the issue of one new share for four old. By this issue the share capital of the Company will increase from Kr. 165 to Kr. 206.3 million.

PRODUCTION AND SALES

The following is a summary of the output of major products in 1960:

	1960	1959
Production :		
Electric power, '000 kWh	1,040,000	729,000
Timber, own forest, cu. ft.	36,000,000	25,300,000
Iron ore, tons	84,623	89,150
Dolomite, tons	19,160	18,391
Steel ingots, tons	338,834	310,300
Finished steel, tons	213,689	208,722
Sawn timber, std. loads	24,863	24,807
Sulphate pulp, tons	101,785	80,980
Sulphite pulp, tons	68,965	64,433
Paper, tons	71,058	56,157
Chemicals, tons	110,204	95,064

Sales :	Kr. M.	Kr. M.
Iron and steel products	319.1	282.6
Forest products	168.4	147.6
Chemicals	35.2	30.0
Others	29.3	29.2
Total	552.0	489.4

The Uddeholm Company has been engaged since 1668 in extracting and processing the natural resources of iron ore, timber and water power in the province of Värmland, in western Sweden.

To that end the Company owns and operates mines at Persberg, Nordmark and Långban, as well as sponge iron works at Persberg. Steel is made in three integrated mills, at Hagfors, Nykroppa and Degerfors, which supply the Munkfors cold rolling mill and the tube mill at Storfors. Wire rope is made at a factory in Blombäcka. Tungsten carbides and carbide tipped tools are manufactured in a plant at Vällingby, in Stockholm.

Processing of forest products is concentrated to the Skoghall Works, on Lake Vänern, which include sawmills, pulp mills and paper mills. The chemical plants, engaged in the electrolytic processing of salt into chlorine and alkalis for use by the Company's pulp mills as well as for sale, are also situated at Skoghall.

The Company, either alone or in partnership, owns and operates 33 hydro-electric power stations with 220,545 kW installed capacity. The timber holdings exceed 565,000 acres.

STEEL DIVISION

Owing to the firm demand during the year, all mills were able to upgrade their output, with particular accent on stainless and alloyed tool steels, as well as cold worked products. As a consequence, invoiced deliveries increased in value by 13 per cent, as previously noted.

Mild steel produced at Degerfors was also in demand, and the manufacturing department of the mill was kept busy with deliveries of digesters for the pulp industry and similar large pressure vessels. During the year work proceeded on the reactor tank R3/Adam, partly made of clad steel and partly of solid five-inch acid resistant stainless steel. The reactor tank is scheduled for delivery in the summer of 1961.

The Hagfors mill increased the output of stainless bars and high alloy tool steels and stepped up deliveries of hot rolled strip and rod to enable the Munkfors mill to increase its output of cold rolled strip, springs and cold drawn stainless wire. The output of cold drawn stainless tubing at the Storfors mill also increased substantially. Deliveries of cold worked products, excluding tubing, amounted to Kr. 53.4 million.

The growth of the tungsten carbide business is encouraging. The carbide factory in Stockholm collaborates with the tool shop in Hagfors in the development of the UDDIA and UDDIX lines of standard and special tools for the metal working industries and rock drills for the mining and construction industries.

Of the total turnover of the Division 35.1 per cent was exported.

FOREST PRODUCTS DIVISION

The Skoghall plants enjoyed a record year. The output of the sawmill remained at 25,000

standards, but production of sulphite pulp rose by 8,000 tons to 69,000 tons. The output of sulphate pulp rose by about 21,000 tons to 102,000 tons, and paper by 15,000 tons to 71,000 tons. Manufacture of paper sacks and gummed paper continued to grow, in terms of volume and value.

With added plant facilities the electrolytic plants succeeded in raising the output of chlorine and alkali by 20 per cent, to 76,000 tons of which 36,000 tons were chlorine. The output of ammonia increased at the same rate, whereas tri and perchlorethylene solvents remained stable. Acetic acid and ethyl acetate were also in good demand.

Of the total output of the chemical department, 39,186 tons were retained for own use and the remainder, or 71,518 tons, sold at an invoiced value of Kr. 35.2 million.

Of the chemicals, carboxymethylcellulose (CMC) retained its position as an export leader to 28 countries. A more refined product *Cekol* enjoyed increased sales for use as a sizing material in the paper and textile industries; it is also finding wide use as a mud in oil drilling.

Of the total sales of forest products amounting to Kr. 203.6 million, 63 per cent were exports.

POWER DIVISION

Owing to the rainy year, the mean annual flow of the Klarälvs River, principal source of the

THE UDDEHOLM GROUP

Consolidated Balance Sheet, as per Dec. 31, 1960

SUMMARY

	Kkr. million*	
	1960	1959
Liabilities		
Short term	96.0	66.6
Long term	268.7	240.9
Investment funds	20.7	15.5
Capital :		
Share capital	165.0	165.0
Statutory reserves	44.2	51.8
Capital surplus	25.7	39.2
Earned surplus	60.8	37.7
Net profit	22.0	14.0
Total	703.1	630.7

Assets

Fixed assets :		
Plant	275.7	278.7
New investments	49.5	30.9
Shares in other companies	5.2	5.0
Advances	10.7	8.9
Secured bills	13.1	11.1
Current assets :		
Bank and cash	51.3	73.4
Receivables	108.2	80.1
Stock on hand	171.9	140.7
Blocked investment reserves	17.5	1.9
Total	703.1	630.7

Mortgages	199.8	188.8
Pledges	47.5	12.3

* Kr. 14.5 = £1.

Company's power, reached 146 cu.m. per second, or nearly 15 per cent above normal. By August, water stores were filled to 90 per cent. and by the end of the year to 98 per cent. The power production exceeded 1,200 million kWh, of which 70 per cent were consumed by the Company's production plants.

Work on the Höljes II power station, begun in 1957, is proceeding according to plan. The dam is nearing completion and the machine installations began early this year. By autumn 1961, the first unit will be put into production, followed by the second towards the end of the year. The output of the station will be about 500 million kWh.

The Höljes station is financed by Uddeholm and AB Mölnbacka-Trysil. The Company's own share of the annual construction costs came to Kr. 20.8 million, making a total to date of Kr. 49.9 million.

FOREST DIVISION

Favourable weather facilitated work in the forests, and the annual campaign ended with an increase of the timber cut by 30,000 cu.m. to 748,000 cu.m. A further 502,700 cu.m. of timber were purchased from outside producers.

During the year 44 miles of forest motor roads were built, whereby the Company's forest road net increased to 800 miles, in addition to 400 miles of jointly built roads.

Ample rainfall also facilitated re-afforestation, and some 12 million seedlings were planted during the year.

INVESTMENT PROGRAMME

Plant investment during the year amounted to Kr. 58.5 million. A major part was devoted to increasing the capacity of the steel mills, particularly the output of stainless and high alloy steels. Some Kr. 30 million were spent on a new combination rod and bar mill at Hagfors.

At Degerfors, the building of the new plate mill was completed and the rolling plant is being installed. The new mill, estimated at Kr. 35 million, will turn out stainless, clad, and boiler plate.

A new factory for spring fabrication, a traditional Uddeholm specialty, has been erected at Munkfors where the cold working capacity has been increased. At Hagfors, an automated plant for the production of road grader and bulldozer steels was put into production.

At Hagfors, new electric furnace plant is being installed, at an estimated cost of Kr. 15 million, whereby the capacity will be increased by some 45,000 ingot tons. The new facilities will be available in 1961.

The increased ingot capacity necessitates rebuilding the blooming mill at Hagfors to enable it to handle heavier ingots and a larger tonnage. The melting and rolling capacity of the Nykroppa mills is also being increased. At Munkfors, a new stainless wire drawing plant is being installed.

As the Company's Skoghäll works the rebuilding and expansion of the sulphate and paper mills have been completed. The capacity of the four Fourdrinier machines has been enlarged, and a new plant for the manufacture of paper sacks and gummed paper has been added. New steam plant, including a 3,000 kW back pressure turbine and a 20,000 kW condensing turbine, was completed during the year, in addition to ancillary plant facilities for the pulp mills. A new sulphate bleaching plant is being erected

COMPANY MEETING REPORTS

this year, at an estimated cost of Kr. 12 million. The capacity of the existing chlorine plant is being extended by 7,000 tons.

PERSONNEL

The average number of employees rose during the year from 14,646 to 15,253, of whom 2,504 were salaried staff and 12,749 production workers. Wages and salaries paid during the year amounted to Kr. 190.5 million.

The great demand for labour throughout Swedish industry necessitated increased recruiting efforts, in collaboration with the government employment service. Owing to the continued shortage of skilled production workers, the Company's training programme has been expanded. Permanent schemes are now in force at all major works, and their scope was enlarged during the year. A new school, costing Kr. 1.2 million, was built at Skoghäll and taken over by the training department during the year.

THE RESULTS

The net profit for the year was Kr. 18 million which added to the balance of Kr. 37,240 million carried forward from the previous year, plus Kr. 23,464 million resulting from the merger of the Degerfors subsidiary made Kr. 78,704 million available for allocation, as follows:

	In millions of Kronor
To statutory reserves	6,250
New share issue	41,250
Dividend of Kr. 10 per share	16,500
Balance carried forward	14,704
	78,704

The report and accounts were adopted.

NEWRITH GROUP LTD.

The Twenty-fifth Annual General Meeting of the Newrith Group Limited was held on August 16 in London, Mr B. W. Mason, chairman, presiding. The following is an extract from his circulated statement:

Whilst the year under review has been a difficult one, it has not been without some progress. The building sub-contracting side was appreciably busier, in fact, towards the latter part of the period, was approaching peak production. In spite of a decline in the rate of gross profit, there was an overall improvement in earnings.

Net profit has risen from £31,054 to £46,580 and the Holding Company's proportion, after taxation, has increased from £15,651 to £24,460. These figures reflect an improvement of 50 per cent over the reduced profit of 1960. Your Directors recommend an increase of 2 per cent in the dividend to 6 per cent and, to commemorate the 25th anniversary of the Company, it is proposed that the capital distribution be doubled from 1½ per cent to 2½ per cent.

The Group has commenced the new financial year with a record order book for plumbing, heating, glazing and electrical sub-contracting work. Although the building industry is extremely busy, profit margins continue to be unduly low.

Providing the present wave of increased costs throughout industry is kept within reasonable bounds, I am fairly confident that the Group results for 1962 will show an overall improvement, but no substantial increase in earnings is to be expected.

The report was adopted.

THE ECONOMIST AUGUST 19, 1961

UNITED DOMINIONS TRUST LIMITED

RECORD VOLUME OF BUSINESS IN A DIFFICULT YEAR

The thirty-ninth annual general meeting of United Dominions Trust Limited was held on August 16th in London, Mr J. Gibson Jarvie (the Chairman) presiding.

The following is an extract from his Statement to Stockholders:

Despite the disheartening character and the numerous problems of the year, it gives your Board considerable pleasure to tell a most heartening story of growth and diversification.

The Balance Sheet figure has now reached in the circumstances the prodigious total of £215 million, an increase of some £40 million in the year.

With last year's increase in the company's capital, the Capital and Reserves of the Group have increased from £20,282,471 to £26,327,912. Loans from banks and current deposit and other accounts have risen from £134,351,109 to £167,306,718 and Cash in Hand and at Bankers now stands at £15,487,825. The total of Current Assets is £205,517,983 against Current Liabilities of £170,059,639, a most significant and conservative ratio. Deferred future income has grown to £13,956,054, a new high level, and Profit and Loss Account stands at £1,266,740. The market value of our portfolio of investments is very substantially higher than their cost but that surplus is not reflected in the Balance Sheet.

RECORD VOLUME OF BUSINESS

Although the year just concluded has been one of accumulating difficulties, problems and events beyond our control, the Group has conducted a record volume of business, a quite remarkable expansion and diversification in its character, and has contrived to incorporate the whole administratively within the Group.

I think, therefore, I am entitled to say that the Group is in a position to face with every confidence a future which still, by no stretch of the imagination, can be described as stable. I am fortified in my view by the continuing and upward trend in the volume, variety and quality of the business offering. Subject to our being permitted to carry on our various activities in a more or less normal manner, the year in which we have entered is full of promise.

We have weathered all sorts of storms in the past forty years and I have no doubt that we shall successfully ride those of the next forty. Crises of one sort or another are inseparable from the shaky economy which most nations are supporting just now and I am not sufficiently sanguine about our own pattern of government to expect that we shall escape any of them.

Yet, in spite of all, the evidence of prosperous growth in the U.D.T. Group cannot be gainsaid and your Directors have unbounded faith in the future of the Group. The Stockholders whose names have been on our books for years have found U.D.T. a safe and extremely profitable investment. Your Board intends to give serious consideration in the not distant future to the advisability of altering the nominal value of the shares. Since growth value has always been a particular attraction of U.D.T. stock, it may prove desirable to split the present £1 stock units so as to induce a wider group of the investing public to participate in the fortunes of the company.

THE ECONOMIST AUGUST 19, 1961

ASSOCIATED BRITISH PICTURE CORPORATION

SIR PHILIP WARTER REVIEWS PROGRESS AND DEVELOPMENTS

The thirty-fourth annual general meeting of Associated British Picture Corporation Limited was held on August 11th in London, Sir Philip Warter (the Chairman) presiding.

In his statement which had been circulated to members, Sir Philip said that the Net Profit of the Corporation for the year ended March 31, 1961, showed a substantial improvement over that for the previous year and was very nearly as high as the record achieved in 1959.

He added: The cinemas have done substantially better due to the remission of Entertainments Duty and Television, following on the re-organisation, has improved its business.

In the year under review £3,016,629 of the Group Trading Profit of £5,717,282 was contributed by Television and £2,700,653 arose from the Production, Distribution and Cinema Sections of the business. The Board is recommending a total dividend of 60 per cent for the year, and has also decided to recommend a Bonus issue of one-for-one so as to bring the issued Ordinary Capital more into line with the Capital employed in the business.

The Net Profit of the Group before taxation

COMPANY MEETING REPORTS

amounted to £4,929,959, a rise of £1,979,132 on last year's figure of £2,950,827. The Net Profit Available amounted to £2,543,937.

Commenting on Film Production and Distribution, Sir Philip said: Since the formation of the Company Elstree Studios have been an important factor in British film production and during the year under review they have been fully employed in making feature films for the home and overseas markets.

Associated British-Pathe is responsible for four departmental operations, i.e. the production of Pathe News, T.V. Commercials and Documentary Films and also the Foreign Distribution of Cinema and T.V. Films.

The T.V. Commercial Department has been particularly active and last year's turnover constituted a record.

Documentary Department: Its work with Government Departments and important industrial companies has been increased, quite apart from the home and overseas success of the weekly magazine, "Pathe Pictorial."

The Chairman then referred to A.B.C. Cinemas, and said that much of the improvement in the cinema trading during the year had been due to the abolition of Entertainments Duty in the 1960 Budget. That improvement, however, was only significant if they could be certain that the fall in attendance figures was levelling off. He added: If we disregard the

cinemas closed during the year, the attendance figures decreased as against the previous year by about 3 per cent.

Twenty-six cinemas were closed during the year and we commenced the current year's trading with 313 cinemas.

During the year we opened Bowling Centres in Dagenham, Essex and Wyld Green, Birmingham, and we are commencing conversion of cinemas at Leytonstone and Levenshulme, both of which will be opened during the current year.

We have long-term plans covering a number of other situations and although we regard Bowling as a promising venture, the extent of our development in this field will be determined in the light of our experience.

Turning to ABC Television, Sir Philip said that that Company had shown improved results, and continued: ABC Television has a particular difficulty, unlike other Programme Contractors, in that it is restricted to the provision of programmes on Saturdays and Sundays and, as a result, has found it necessary to provide facilities which in themselves would be capable of a much wider field of operation.

Referring to the current year, Sir Philip said: I am always reluctant to make forecasts so early in the year. However, so far, business both in the cinemas and in television, is being maintained on a comparable basis with last year.

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BALANCE SHEET AS AT 31st MARCH, 1961

LIABILITIES				ASSETS			
1960 ID.		ID.		1960 ID.		ID.	
5,000,000	Authorised Capital	5,000,000		11,147,708	Cash in Hand at Call and at Banks	13,812,538	
4,540,140	Paid-up Capital	4,716,279		737,251	Gold Bullion (for Trading) at cost	216,915	
1,450,000	Reserve Fund	1,950,000		956,064	Iraq Government, and other Securities—At or under Cost	1,077,366	
	Profit and Loss Account—				Bills Discounted, Advances, etc. (less Provision for Doubtful Debts) —		
8,453	As per Profit and Loss Appropriation Account	6,869		12,745,366	Bills Discounted	10,538,984	
				18,188,606	Advances, etc.	22,488,363	
34,385,578	Current, Deposit and Other Accounts	38,327,758	6,703,148	698,879	Sundry Debit Accounts	31,017,347	
4,858,978	Sundry Credit Accounts (including ID. 2,600,000 long-term liability)	4,923,068		813,887	Lands, Buildings, Furniture and Fittings—At cost less depreciation	937,443	
405,000	Provision for Income Tax	516,500			Officials' Housing Scheme—		
					Net cost of Land and Buildings less Installments received	461,632	
12,389,566	Credits, Guarantees, etc., on Account of Customers		43,767,326	360,388	Customers' Liability for Credits, Guarantees, etc., per Contra	14,246,731	
				12,389,566			
58,037,715			ID. 64,717,205	58,037,715		ID. 64,717,205	

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1961

1960 ID.		ID.		1960 ID.		ID.	
669,189	Total Charges, including depreciation	720,736		1,599,642	Total Income	1,937,890	
930,453	Profit for the year ended 31st March, 1961 carried down	1,217,154					
1,599,642		ID. 1,937,890		1,599,642		ID. 1,937,890	

PROFIT AND LOSS APPROPRIATION ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1961

1960 ID.		ID.		1960 ID.		ID.	
367,896	Provision for Income Tax—			6,536	Balance brought forward as at 1st April, 1960	8,453	
	On results of year to 31st March, 1961	513,810		930,453	Profit for the year brought down	1,217,154	
	Less: Over-provision on previous years	1,211					
140,640	Transferred to Paid-up Capital	512,599					
420,000	Transferred to Reserve Fund	530,000					
8,453	Balance carried forward as per Balance Sheet	6,869					
936,989		ID. 1,225,607		936,989		ID. 1,225,607	

ID.1 = £1 Sterling

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The balance sheet of the B.N.C.I. on December 31, 1960, approved by the Control Commission of Banks at its sitting on June 14, 1961, comes to, before distribution, NF 8.528.430.228.64. The distribution allocated to those nominees entitled to share in the profits but not the capital has been fixed at NF 1.125.

The activity of its subsidiaries in 1960 has been satisfactory. The British and French Bank Ltd., whose registered office is in London at Imrie House, 33/36 King William Street, has increased its network of offices in Nigeria where it is now installed at Lagos, Apapa, Ebute-Metta, Ibandan, Ikeja, Kaduna, Kano and Port-Harcourt. Its balance at December 31, 1960, after distribution, comes to \$41.769.442.

SUN REAL ESTATES

PERIOD OF STEADY GROWTH

The annual general meeting of Sun Real Estates Limited was held on August 15th in London, Mr John Gaul (the Chairman) presiding.

The following is an extract from his circulated statement:

It is now eight years since I became Chairman of your Company which, at that time, had the unique record of never having paid a dividend since its formation some 17 years earlier. We still have among our 1,200 present shareholders some who have held their shares since those days and whose patience has been rewarded. The Company's assets have increased year by year and with almost daily improvements to our Properties, plus regular new acquisitions, it is certain that at this moment their true value is once again substantially higher than the figure shown in the Balance Sheet.

The Financial Year now under review has not been one in which your Company has been the subject of any sensational headlines, but we have nevertheless—within that period—quietly been improving the state of the Company in at least four different ways simultaneously:

(1) The acquisition of further income-producing investment Properties; (2) The continuous granting of fresh leases at improved rentals, and general financial consolidation; (3) A 50 per cent participation in a most interesting and rewarding development now taking place in

Rochester, Kent; (4) Negotiations for the creation of Debenture Stock on satisfactory terms, concluded shortly after the close of the year under review.

The final dividend of 35 per cent, making a total of 55 per cent for the complete year (paid out of 57 per cent earnings) continues its upward climb which I hope will be a yearly feature of this Report and is, in any case, a 25 per cent uplift on last year. On the subject of dividend forecasts I would prefer this year not to make one solely because of the difficulty of knowing when certain income-producing Properties which we are now in course of acquiring will actually be finished. My feelings can perhaps be inferred from the fact that I now announce the interim dividend for the present trading year will be increased to 25 per cent.

My caution in building up Sun Real Estates has been such as to debar us from embarking on grandiose schemes involving millions of pounds, but we have nevertheless built up a formidable portfolio of Freehold and Leasehold medium-sized Properties in permanently good letting areas. A special feature of your Company's activities continues to be the provision of moderately rented office accommodation serving that large group of tenants who are out-priced by the mammoth developments into which they might otherwise like to move.

Quite a number of Property Companies are relying to a great extent for their annual dividend on the results of dealing in Property, as opposed to investing in it and developing it. Your Company is by character an expanding investment group and dealing forms no part of our activity.

The report was adopted.

COMPANY AFFAIRS

Property Finance Now

THE *Financial Times* index of property shares now stands at 95.2, compared with its mid-May peak of 124.7. This fall of over 23 per cent is the tailpiece of a long period of almost uninterrupted boom in the property share market. The reasons for the present setback are not hard to find. Many shares had been pushed to very high levels and their meagre yields were discounting pretty fully the benefits of future developments. Secondly, the market was influenced by fears of restrictions on finance for property developments, and these fears proved to be well founded when the Chancellor asked both the banks and the insurance companies to restrict advances for property development. The institutions, particularly the insurance companies, had already furnished a number of property companies with ample funds or had entered

PROPERTY SHARES: RISE AND FALL

	Jan. 3	May 11	July 24	Aug. 14	Yield %
Artisans & General	56/3	69/6	51/3	54/-	4.6
Capital & Counties	36/6	49/-	39/6	38/3	2.1
Central & District	42/6	56/3	41/3	42/-	3.2
City Centre	60/3	65/9	54/-	52/9	2.4
City Land R.P.	68/3	93/-	73/3	73/-	3.0
Hammerson 'A'	35/3	42/6	35/-	33/-	1.7
Land Sec.	22/3	35/3	29/3	26/6	2.3
Land County Field	26/9	38/9	33/-	29/-	4.2
Second Cov. Gdn.	23/-	35/-	27/3	26/11	3.1
Town & Com.	8/-	11/6	9 1/2	8 9/16	3.7

into commitments to provide finance and, they were clearly experiencing difficulty in translating the Chancellor's request into practical terms. This week, however, the British Insurance Association sought to guide its members by putting its own interpretation on the request. In a letter to its members, the BIA said: "No objection would be raised to members completing their commitments in regard to property investments even though they may extend for some years ahead, and relate in some cases to an undertaking to finance projects not yet formulated. Where members have either a legal or a moral obligation to proceed with such projects they may, therefore, complete them. They should, however, exercise a restrictive policy to new property financing unless there are clear and early benefits for exporting industries in prospect."

The letter went on to suggest that members were free to deal with propositions for underwriting or subscribing for new issues in the normal manner even though the new money was designed to finance property development. The assumption underlying this interpretation is that market forces and the marshalling of any queue by the issuing houses will keep new issues by property companies down to a minimum. The general purport of the letter from the BIA must be that, while those property companies which have already established links with the

insurance companies can feel free to go ahead with developments for which finance has been promised, companies which have no such links will find it difficult, if not impossible, to raise money either directly from the insurance companies or from the capital market. Some pause in property development appeared to be on the cards even before the Chancellor spoke, and his request may not therefore appear too onerous. What its ultimate effect on property development and values will be must depend upon the length of the pause.

In the case of Kennedy Leigh it has been decided that a proposed loan of £1 million from Norwich Union should be postponed until April, 1962. Interest on this loan, which is to take the form of a debenture secured on some of Kennedy Leigh's properties, will be at 6½ per cent, and in addition Norwich Union has been given an option to take up 550,000 ordinary shares at 8s. 6d. (which is close to the current market price) in the three years beginning on April 1, 1962. Norwich Union already holds 1,040,000 of Kennedy Leigh's 5s. ordinary shares, having paid just over 5s. a share for them. The shares were first offered to the public in March at 6s. 9d. each and they later touched a peak of 12s. 9½d.

Another big loan which was apparently in the pipeline when the Chancellor spoke is the £9½ million debenture issued to various undisclosed institutions by Stock Conversion and Investment Trust. These institutions will also have the right to subscribe for 900,000 5s. ordinary shares at 15s. each; if they take up their options in full they will secure about 13 per cent of the ordinary capital after the capital reorganisation. The shares in their existing 2s. form stand at the heavy price of £21, but they are to be written up to 5s. nominal with an eleven-for-one scrip issue to follow. This will bring their market value down to about 35s. So far the company has not paid a dividend and has charged its spending on development properties against revenue; in future this will be charged against capital. The directors say that the company is unlikely to pay a dividend during the next two or three years but they promise that when the developments are sufficiently advanced the company's income will be distributed as fully as possible.

It seems unlikely that Town and Commercial Properties will have any difficulties in financing its developments. The total cost of developments in hand at March 31st amounted to more than £2½ million, but the chairman, Mr R. C. Yablon, reminds shareholders in his annual statement that the Legal and General has acquired about 10 per cent of the equity and has made pro-

vision for long term finance amounting to about £4 million. The shares issued to Legal and General did not rank for dividends in respect of the year to March 31st last but they will rank for the 6½ per cent payment forecast for the current year on the capital to be increased both by the writing up of the 2s. shares to 4s. nominal and by the one-for-four scrip issue that will follow. On this forecast the 2s. shares at 8s. 9d. yield 3.7 per cent.

The first offer of property shares since the Chancellor spoke came this week with the issue of 750,000 ordinary shares of Sovereign Securities, which entered the property field less than three years ago. This company's future income is very much bound up with the successful completion of various developments now in hand. In addition to the £247,000 of ordinary capital, of which about 60 per cent is being offered for sale, there is £353,000 in deferred capital held entirely by the chairman, Mr Laurence Knight. These shares rank equally with the ordinary except that they do not rank for any dividend until the ordinary shares receive an annual dividend of 12½ per cent. On such a payment half the deferred shares will rank for the dividend and will be converted into ordinary shares and similarly the other half of the deferred shares will be converted when the ordinary dividend is raised to 17½ per cent. For the year to April 30th next a dividend of 5 per cent is forecast, so that the shares which are offered at 7s. each have an initial yield of no more than 2.9 per cent; but for the succeeding years the directors envisage dividends of 10 and then 12½ per cent.

John Brown

THE full report from John Brown once more emphasises that it is the group's machine tool interests which have protected shareholders from lean times in the shipbuilding industry and may continue to protect them from the still leaner times to come. The main point of interest in the statement by the chairman, Lord Aberconway, is that the group "greatly needs to win the order for the new Cunarder." At the moment its Clydebank yard, where only two more keels are on order to be laid, is far from fully occupied and overhead costs and the need to hold the skilled labour force together have prompted Lord Aberconway to say that both shareholders and employees would be better off with an unprofitable contract than without it.

Lord Aberconway also reveals that even though gross profits rose by 24 per cent, from £3,645,000 to £4,491,000, some sections of the group's business other than shipbuilding have given cause for concern. In the land boiler division competition is extremely strong and "price margins are quite inadequate." Cravens, the rolling stock subsidiary, expects to make a "substantial loss" on its contract for 464 cars for the London Transport underground and Lord Aberconway also describes margins on water turbines and chemical plant as in-

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(continued in next column)

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Application form and particulars, returnable
by 11th September, 1961, from Robert Bennett,
F.R.I.A., Architect to the Council
(F.R.I.A. 123/278), County Hall, S.E.1.

VICTORIA UNIVERSITY OF WELLINGTON

LECTURER IN POLITICAL SCIENCE
Applications are invited from suitably
qualified persons for the above-mentioned
post.
The salary will be £1,250 per annum, rising
to £1,700 per annum. The initial salary will
be determined according to the qualifications
and experience of the appointee.
Approved for the appointment will be
allowed for the appointee, his wife and his
dependent children; in addition, actual removal
expenses will be allowed within specified limits.
Further particulars and information as to
the method of application should be obtained
from the Secretary, Association of Universities
of the British Commonwealth (Branch Office),
Pall Mall, London, S.W.1.
Applications close, in New Zealand and
London, on 10th October, 1961.

MINISTRY OF AVIATION requires an
INFORMATION OFFICER in London
for general Press Office work and the prepara-
tion of articles on technical subjects. Applica-
nts should have wide experience in journalism,
and preferably knowledge of or interest in
aviation. They should be capable of absorbing
technical knowledge and expressing it in non-
technical language. Appointment must be
established but there are prospects of becoming
personnel by means of a Civil Service Com-
mission competition. Salary: £1,282 p.a. rising
to £1,490 p.a. (London). Good holidays and
paid sick scheme—Write, giving full details
of experience and qualifications, to Manager
(P.E. 3241), Ministry of Labour, Professional &
Executive Register, Atlantic House, Farringdon
Street, London, E.C.4. Closing date 31.8.61.

STATISTICAL Market Investigations Ltd.
seek a graduate in mathematics or mathe-
matical statistics to join their unit dealing with
the application of experimental statistical tech-
niques to the problems of market surveys. This
unit is responsible for planning sample design
and analyses of market research data for a wide
variety of industries and also for liaison on
computer programming. Initial salary £800-
£1,000 p.a. depending on qualifications. Full
details of the post, with full details, to
S. J. Orrell, Managing Director, Market Investiga-
tions Ltd., 1-2, Berners Street, W.1.

STAFFORDSHIRE COUNTY COUNCIL
EDUCATION COMMITTEE
STAFFORDSHIRE COLLEGE OF
COMMERCE
WEDNESBURY.
Principal, H. H. Harnett, B.Com.
Applications are invited for the post of
Senior Lecturer in Accountancy and Secretarial
Subjects.
Salary in accordance with the Burnham Tech-
nical Scale, i.e. £1,450 to £50=£1,750.
In certain circumstances allowances towards
the cost of lodging and removal expenses may
be made to married men teachers.
Form of application, returnable by 1st Septem-
ber, 1961, and further particulars of the appoint-
ment may be obtained from the Director of
Education (Stafford) Education Office, Earl
Street, Stafford, on receipt of a stamped
addressed envelope.

CENTRAL OFFICE OF INFORMATION
requires an ASSISTANT INFORMATION
OFFICER (unestablished) to write and acquire
articles on trade topics and synopses suitable
for use overseas. Preference will be given to
the candidate with varied experience of writing
for the trade and technical press. Some know-
ledge of industrial matters essential. Starting
salary according to experience and qualifications
rising to a maximum of £1,214—Write, giving
full details of experience and qualifications
age, full details of experience and qualifications
to Manager (P.E. 1587), Ministry of Labour,
Professional & Executive Register, Atlantic
House, Farringdon Street, London, E.C.4.

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the photostating field with established
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Export Sales Force and young men of
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of vacancies which will become avail-
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Contributory Pension Scheme. All
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The Administrative Controller of Sales,
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Applications are invited for the CHAIR OF
SOCIOLOGY. Secondment for a reasonable
period also considered. The Professor, besides
administering the department, will have to
undertake most of the teaching in social
theory and comparative institutions.
Salary: Ghanaian £2,600 p.a., non-Ghanaian
£3,000 p.a.
Appointment normally five years in first
instance. Outfit allowance £600. Car allow-
ance £6150 p.a. Family allowance for non-
Ghanaians for each child in West Africa £650
p.a. or, if under age of 21 and receiving educa-
tion outside West Africa, £6100 p.a. (maximum
five children). Part-furnished accommodation
at charge not exceeding 75 per cent of salary.
F.S.S.C. policies maintained if already held, or
superannuation on similar basis.
Passages for appointee and family on appoint-
ment and normal termination. Annual leave
with 3 overseas return passages in every 4 years
for non-Ghanaian and one every other year
for Ghanaian.
Applications (six copies) with full details of
qualifications, experience, etc., and naming
three referees, to be sent before 25th September,
1961, to the Assistant Registrar (London),
University of Ghana, 15 Gordon Square,
London, W.C.1, from whom further information
may be obtained.

For other appointments see page 753

Effective Limits		Market Rates : Spot						
	August 16	August 10	August 11	August 12	August 14	August 15	August 16	
United States \$	2 78-2 82*	2 80 ¹ / ₄ - ³ / ₄	2 80 ¹ / ₄ - ⁵ / ₁₆	2 80 ¹ / ₄ - ³ / ₄	2 80 ¹ / ₁₆ - ³ / ₄	2 80 ¹ / ₄ - ¹ / ₄	2 80 ¹ / ₄ - ³ / ₄	
Canadian \$	13 62-14 027	2 89 ¹ / ₄ - ¹ / ₄	2 89 ¹ / ₄ - ¹ / ₄	2 89 ¹ / ₄ - ³ / ₄	2 89 ¹ / ₄ - ³ / ₄	2 88 ¹ / ₂ - ⁸⁹ / ₁₆	2 89 ¹ / ₄ - ⁸⁹ / ₁₆	
French Fr.	13 76-14 027	13 77 ¹ / ₄ - ³ / ₄	13 76 ¹ / ₄ - ³ / ₄	13 76 ¹ / ₄ - ³ / ₄	13 76 ¹ / ₄ - ³ / ₄	13 76 ¹ / ₄ - ³ / ₄	13 77 ¹ / ₄ - ³ / ₄	
Swiss Fr.	11 94-12 54 ¹ / ₄	12 10 ¹ / ₄ - ³ / ₄	12 09 ¹ / ₄ - ³ / ₄	12 09 ¹ / ₄ - ³ / ₄	12 08 ¹ / ₄ - ³ / ₄	12 08 ¹ / ₄ - ³ / ₄	12 09 ¹ / ₄ - ³ / ₄	
Belgian Fr.	137 96-	139 55-	139 50-	139 57-	139 45-	139 40-	139 50-	
Dutch Gld.	9 98 ¹ / ₂ -10 28 ¹ / ₂	10 39 ¹ / ₂ -10	10 07 ¹ / ₂ -08 ¹ / ₂	10 07 ¹ / ₂ -08 ¹ / ₂	10 06 ¹ / ₂ -07	10 07 ¹ / ₂ - ¹ / ₂	10 08 ¹ / ₂ - ¹ / ₂	
W. Ger. D-Mk.	11 037-11 365	11 18 ¹ / ₂ -19 ¹ / ₂	11 18 ¹ / ₂ -19 ¹ / ₂	11 19 ¹ / ₂ -19 ¹ / ₂	11 18 ¹ / ₂ -19 ¹ / ₂	11 18 ¹ / ₂ -19 ¹ / ₂	11 19 ¹ / ₂ - ¹ / ₂	
Portug. Esc.	80 35-	80 35-	80 15-30	80 15-30	80 15-30	80 15-25	80 15-25	
Italian Lire	173 17-175	173 ¹ / ₂ -19 ¹ / ₂	173 ¹ / ₂ -19 ¹ / ₂	173 ¹ / ₂ -19 ¹ / ₂	173 ¹ / ₂ -19 ¹ / ₂	173 ¹ / ₂ -19 ¹ / ₂	173 ¹ / ₂ -19 ¹ / ₂	
Swedish Kr.	14 27 ¹ / ₂ -14 70	14 47 ¹ / ₂ - ¹ / ₂	14 46 ¹ / ₂ - ¹ / ₂	14 46 ¹ / ₂ - ¹ / ₂	14 45 ¹ / ₂ - ¹ / ₂	14 44 ¹ / ₂ - ¹ / ₂	14 45 ¹ / ₂ - ¹ / ₂	
Danish Kr.	19 06 ¹ / ₂ -19 62	19 34 ¹ / ₂ - ¹ / ₂	19 34 ¹ / ₂ - ¹ / ₂	19 34 ¹ / ₂ - ¹ / ₂	19 34 ¹ / ₂ - ¹ / ₂	19 34 ¹ / ₂ - ¹ / ₂	19 35 ¹ / ₂ - ¹ / ₂	
Norwegian Kr.	19 71-20 30 ¹ / ₂	20 01 ¹ / ₂ -02	20 01 ¹ / ₂ - ¹ / ₂	20 01 ¹ / ₂ - ¹ / ₂	20 01 ¹ / ₂ - ¹ / ₂	20 01 ¹ / ₂ - ¹ / ₂	20 00 ¹ / ₂ - ¹ / ₂	
* Official Limits								
One Month Forward Rates								
United States \$	1 ¹ / ₁₆ -1 ¹ / ₁₆	1 ¹ / ₁₆ -1 ¹ / ₁₆	1 ¹ / ₁₆ -1 ¹ / ₁₆	1 ¹ / ₁₆ -1 ¹ / ₁₆	1 ¹ / ₁₆ -1 ¹ / ₁₆	1 ¹ / ₁₆ -1 ¹ / ₁₆	1 ¹ / ₁₆ -1 ¹ / ₁₆	
Canadian \$	1 ¹ / ₁₆ -1 ¹ / ₁₆	1 ¹ / ₁₆ -1 ¹ / ₁₆	1 ¹ / ₁₆ -1 ¹ / ₁₆	1 ¹ / ₁₆ -1 ¹ / ₁₆	1 ¹ / ₁₆ -1 ¹ / ₁₆	1 ¹ / ₁₆ -1 ¹ / ₁₆	1 ¹ / ₁₆ -1 ¹ / ₁₆	
French Fr.	4 ¹ / ₂ -3 ¹ / ₂	4 ¹ / ₂ -3 ¹ / ₂	4 ¹ / ₂ -3 ¹ / ₂	4 ¹ / ₂ -3 ¹ / ₂	4 ¹ / ₂ -3 ¹ / ₂	4 ¹ / ₂ -3 ¹ / ₂	4 ¹ / ₂ -3 ¹ / ₂	
Swiss Fr.	6-5c	6-5c	6-5c	6-5c	6-5c	6-5c	6-5c	
Belgian Fr.	45-35c	45-35c	45-35c	45-35c	45-35c	45-35c	45-35c	
Dutch Gld.	6-5c	6-5c	6-5c	6-5c	6-5c	6-5c	6-5c	
W. German D-Mk.	5 ¹ / ₂ -4 ¹ / ₂	5 ¹ / ₂ -4 ¹ / ₂	5 ¹ / ₂ -4 ¹ / ₂	5 ¹ / ₂ -4 ¹ /				

LONDON AND NEW

Prices, 1961		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Aug. 9, 1961	Price, Aug. 16, 1961	Net Yield, Aug. 16, 1961	Gross Yield, Aug. 16, 1961	Prices, 1961		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Aug. 9, 1961	Price, Aug. 16, 1961	Yield, Aug. 16, 1961	Cover
High	Low							High	Low							
92 1/2	88 3/4	Savings Bonds 3% 1955-65		88 1/2	88 1/2	5 0 9	6 5 9	94 1/2	65 7/8	% a	BANKS, DISCOUNT & HP		78 1/2	75 1/2	3 47	...
100 1/2	99 1/2	Conversion 4 1/2% 1962		99 1/2	99 1/2	4 8 10	6 4 3	100 3/4	74 3/4	% b	Barclays		86 3/4	84 1/2	3 78	...
96 1/2	93 1/2	Exchequer 3% 1962-63		94 1/2	94 1/2	4 11 11	6 6 5 1/2	80 1/2	58 7/2	13 c	Lloyds		64 1/2	61 1/2	3 73	...
101 1/2	98 1/2	Treasury 5 1/2% 1962		99 1/2	99 1/2	5 3 6	6 3 7	26 1/2	18 7/2	8 b	Martins		21 1/2	20 1/2	3 66	...
93 1/2	90 1/2	Conversion 4 1/2% 1963-64		90 1/2	90 1/2	5 3 6	6 6 1 1/2	94 1/2	67 3/4	19 c	Midland		80 3/4	79 1/2	3 77	...
99 1/2	96 1/2	Conversion 4 1/2% 1963		96 1/2	96 1/2	4 9 7	6 10 10	97 3/4	73 1/2	7 b	Nat Provincial		80 3/4	79 3/4	3 49	...
98 1/2	94 1/2	Conversion 4 1/2% 1964		95 1/2	95 1/2	4 10 7	6 10 1	95 5/8	58 1/2	7 1/2 b	Westminster 'B'		81 1/2	79 1/2	3 66	...
101 1/2	96 1/2	Exchequer 5 1/2% 1966		96 1/2	96 1/2	4 6 6	6 9 5	44 1/2	39 1/2	8 b	Australia & N.Z.		37 1/2	37 1/2	6 40	...
83 1/2	78 1/2	Funding 3% 1959-69		79 1/2	79 1/2	3 16 8	5 11 8 1/2	52 1/2	43 1/2	4 a	Bk. Lond. & S. Amer.		46 1/2	46 1/2	4 35	...
89 1/2	86 1/2	Funding 4% 1960-70		86 1/2	86 1/2	3 16 8	5 11 8 1/2	52 1/2	43 1/2	4 a	Bank of New S. Wales		24 1/2	24 1/2	2 86	...
79 1/2	74 1/2	Savings Bonds 3% 1960-70		75 1/2	75 1/2	5 4 3	6 11 4 1/2	44 1/2	32 1/2	10 c	Barclays D.C.O.		38 3/4	36 1/2	5 44	...
84 1/2	80 1/2	Savings Bonds 2 1/2% 1964-67		81 1/2	81 1/2	5 8 2	6 11 4 1/2	44 1/2	32 1/2	10 c	Chartered		54 1/2	52 1/2	5 74	...
72 1/2	66 1/2	Savings Bonds 3% 1965-75		66 1/2	66 1/2	5 3 0	6 12 7 1/2	44 1/2	32 1/2	10 c	Hongkong & Shang.		17 1/2	16 1/2	4 13	...
83 1/2	78 1/2	Funding 3% 1966-68		79 1/2	79 1/2	5 8 1	6 14 9 1/2	44 1/2	32 1/2	10 c	Nat. Com. Bk. Scot.		55 1/2	52 1/2	5 29	...
97 1/2	92 1/2	Victory 4% 1920-76		93 1/2	93 1/2	3 9 0	5 1 5 1/2	27 1/2	18 1/2	18 c	Royal Bk. Canada		18 3/4	18 3/4	2 91	...
85 1/2	80 1/2	Conversion 3 1/2% after Apr. 1961		81 1/2	81 1/2	3 9 0	5 1 5 1/2	27 1/2	18 1/2	18 c	Royal Bk. of Scotland		103 1/2	102 1/2	3 71	...
93 1/2	87 1/2	Conversion 5% 1971		88 1/2	88 1/2	4 12 5	6 14 10	119 1/2	96 3/4	10 b	Stand. Bk. S. Africa		37 1/2	35 1/2	8 45	...
95 1/2	88 1/2	Conversion 5 1/2% 1974		88 1/2	88 1/2	4 8 4	6 13 2	40 3/4	34 1/2	5 a	Hambros		132 1/2	135 1/2	3 33	...
73 1/2	66 1/2	Treasury 3 1/2% 1977-80		66 1/2	66 1/2	4 17 2	6 12 10 1/2	165 1/2	95 1/2	22 1/2 c	Schroders		74 1/2	74 1/2	2 03	...
72 1/2	65 1/2	Treasury 3 1/2% 1979-81		65 1/2	65 1/2	4 17 0	6 12 10 1/2	165 1/2	95 1/2	22 1/2 c	Union Discount		47 1/2	47 1/2	5 32	...
97 1/2	88 1/2	Funding 5 1/2% 1982-84		89 1/2	89 1/2	4 2 9	6 9 4 1/2	60 1/2	47 1/2	6 1/2 a	Bownmaker		14 1/2	14 1/2	1 1/4	...
59 1/2	51 1/2	Redemption 3% 1986-96		52 1/2	52 1/2	4 11 0	6 9 1 1/2	27 1/2	18 1/2	18 c	Lombard Banking		15 1/2	16 1/2	5 94	...
88 1/2	80 1/2	Treasury 5% 1986-89		80 1/2	80 1/2	4 5 7	6 12 2 1/2	23 1/2	15 1/2	9 1/2 a	Mercantile Credit		14 1/2	14 1/2	4 39	...
63 1/2	55 1/2	Funding 3 1/2% 1999-2004		56 1/2	56 1/2	4 9 2	6 12 2 1/2	23 1/2	15 1/2	9 1/2 a	United Dominions		145 1/2	150 1/2	3 53	...
94 1/2	81 1/2	Treasury 5 1/2% 2008-12		83 1/2	83 1/2	4 4 7	6 14 10 1/2	210 1/2	135 1/2	4 a						
65 1/2	56 1/2	Consols 4% after Feb. 1957		58 1/2	58 1/2	4 9 6	6 12 5 1/2	44 1/2	32 1/2	10 c						
59 1/2	50 1/2	War Loan 3 1/2% after 1952		51 1/2	51 1/2	4 2 0	6 14 7 1/2	44 1/2	32 1/2	10 c						
59 1/2	50 1/2	Treasury 3 1/2% after Apr. 1961		51 1/2	51 1/2	4 2 0	6 14 7 1/2	44 1/2	32 1/2	10 c						
50 1/2	43 1/2	Treasury 3% after Apr. 1966		44 1/2	44 1/2	4 2 0	6 15 2 1/2	41 1/2	31 1/2	5 a						
44 1/2	36 1/2	Consols 2 1/2% 1971		37 1/2	37 1/2	3 19 8	6 10 6 1/2	26 1/2	19 1/2	6 1/2 b						
43 1/2	36 1/2	Treasury 2 1/2% after Apr. 1975		37 1/2	37 1/2	3 19 8	6 10 6 1/2	26 1/2	19 1/2	6 1/2 b						
91 1/2	85 1/2	British Electric 4 1/2% 1967-69		86 1/2	86 1/2	4 16 5	6 14 6 1/2	14 1/2	12 1/2	12 1/2 c						
75 1/2	70 1/2	British Electric 3 1/2% 1968-73		71 1/2	71 1/2	5 3 8	6 13 6 1/2	12 1/2	10 1/2	12 1/2 c						
70 1/2	64 1/2	British Electric 4 1/2% 1974-77		64 1/2	64 1/2	5 1 4	6 11 3 1/2	33 1/2	26 1/2	8 a						
81 1/2	76 1/2	British Electric 4 1/2% 1974-79		76 1/2	76 1/2	5 1 4	6 11 3 1/2	33 1/2	26 1/2	8 a						
67 1/2	62 1/2	British Electric 3 1/2% 1976-79		67 1/2	67 1/2	4 16 9	6 12 5 1/2	44 1/2	32 1/2	10 c						
84 1/2	78 1/2	British Gas 4% 1969-72		79 1/2	79 1/2	4 17 10	6 13 6 1/2	14 1/2	12 1/2	12 1/2 c						
81 1/2	76 1/2	British Gas 3 1/2% 1969-71		76 1/2	76 1/2	5 2 3	6 13 8 1/2	70 3/4	53 1/2	4 a						
59 1/2	51 1/2	British Gas 3 1/2% 1990-95		52 1/2	52 1/2	4 11 11	6 9 5 1/2	16 1/2	12 1/2	12 1/2 c						
75 1/2	70 1/2	British Transport 3% 1968-73		71 1/2	71 1/2	5 3 8	6 13 6 1/2	14 1/2	12 1/2	12 1/2 c						
80 1/2	74 1/2	British Transport 4% 1972-77		74 1/2	74 1/2	4 14 4	6 12 4 1/2	18 1/2	10 1/2	6 a						
61 1/2	53 1/2	British Transport 3% 1978-88		54 1/2	54 1/2	4 16 3	6 11 4 1/2	105 1/2	85 1/2	5 a						

NEW YORK PRICES AND INDICES

Prices, 1961		DOMINION AND CORPORATION STOCKS		Price, Aug. 9, 1961	Price, Aug. 16, 1961	Yield, Aug. 16, 1961	Prices, 1961		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Aug. 9, 1961	Price, Aug. 16, 1961	Yield, Aug. 16, 1961	Cover
High	Low						High	Low							
82 1/2	76 1/2	Australia 3 1/2% 1965-69		76 1/2	77 1/2	4 17 2	29 3/4	22 1/2	6 a	BANKS, DISCOUNT & HP		78 1/2	75 1/2	3 47	...
101 1/2	95 1/2	Ceylon 4% 1974-76		95 1/2	95 1/2	6 10 0	81 1/2	63 1/2	6 1/2 a	Barclays		86 3/4	84 1/2	3 78	...
101 1/2	95 1/2	Ceylon 4% 1974-76		95 1/2	95 1/2	6 10 0	81 1/2	63 1/2	6 1/2 a	Lloyds		64 1/2	61 1/2	3 73	...
90 1/2	80 1/2	Rhodesia & Nyasaland 6% 1978-81		70 1/2	70 1/2	9 6 0	106 1/2	85 1/2	15 a	Martins		21 1/2	20 1/2	3 66	...
81 1/2	73 1/2	South Africa 3 1/2% 1965-67		73 1/2	74 1/2	9 15 0	106 1/2	85 1/2	15 a	Midland		80 3/4	79 1/2	3 77	...
59 1/2	53 1/2	Southern Rhodesia 4 1/2% 1987-92		54 1/2	55 1/2	8 18 0	106 1/2	85 1/2	15 a	Nat Provincial		80 3/4	79 3/4	3 49	...
94 1/2	85 1/2	Agricultural Mortgage 5 1/2% 1980-85		85 1/2	86 1/2	6 16 0	106 1/2	85 1/2	15 a	Westminster 'B'		81 1/2	79 1/2	3 66	...
89 1/2	82 1/2	Birmingham 4 1/2% 1967-70		82 1/2	83 1/2	6 16 0	106 1/2	85 1/2	15 a	Australia & N.Z.		37 1/2	37 1/2	6 40	...
92 1/2	86 1/2	Bristol 5% 1971-73		87 1/2	88 1/2	6 12 0	106 1/2	85 1/2	15 a	Bk. Lond. & S. Amer.		46 1/2	46 1/2	4 35	...
93 1/2	87 1/2	Corporation of London 5 1/2% 1976-78		87 1/2	88 1/2	6 12 0	106 1/2	85 1/2	15 a	Bank of New S. Wales		24 1/2	24 1/2	2 86	...
48 1/2	41 1/2	L.C.C. 3% 1980-83		42 1/2	43 1/2	6 13 0	106 1/2	85 1/2	15 a	Barclays D.C.O.		38 3/4	36 1/2	5 44	...
89 1/2	81 1/2	L.C.C. 5% 1980-83		82 1/2	83 1/2	6 14 0	106 1/2	85 1/2	15 a	Chartered		54 1/2	52 1/2	5 74	...
93 1/2	84 1/2	Middlesex 5 1/2% 1980		86 1/2	87 1/2	6 12 0	106 1/2	85 1/2	15 a	Hongkong & Shang.		17 1/2	16 1/2	4 13	...

Standard and Poor's Indices (1941-43=10)

1961	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
July 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
Aug. 2	70.89	2.84	31.83	5.08	59.98	3.22	89.96	3.89
" 9	71.69	2.82	32.53	4.97	60.94	3.17	88.18	4.06
" 16	71.66	2.82	32.81	4.93	60.96	3.17	88.39	4.04

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

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.

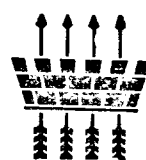
BRITISH
Prices and Wages..... July 29th External Trade..... Aug. 5th
Manpower and Output.... This week Industrial Profits..... July 15th

OVERSEAS
Western Europe..... Aug. 12th United States..... July 8th

Unit	Mid-year or averages			1960			1961				
	1958	1959	1960	May	June	July	Mar.	April	May	June	July
TOTAL MANPOWER											
Working population:											
Total.....	'000s	24,070	24,145	24,436	24,394	24,436	24,517	24,547	24,560	24,590	...
Men.....	"	16,160	16,137	16,239	16,229	16,239	16,234	16,285	16,284	16,283	...
Women.....	"	7,910	8,008	8,197	8,165	8,197	8,283	8,262	8,276	8,307	...
Armed Forces.....	"	614	563	518	521	518	516	485	479	478	...
Civil employment:											
Total.....	"	23,080	23,197	23,628	23,559	23,628	23,710	23,768	23,811	23,865	...
Manufacturing industries (1).....	"	9,147	9,169	9,169	9,169	9,169	9,169	9,169	9,169	9,169	...
Manufacturing industries (old basis) (1).....	"	9,147	9,169	9,169	9,169	9,169	9,169	9,169	9,169	9,169	...
Employees (1).....	"	...	3,545	3,740	3,739	3,740	3,785	3,797	3,801	...	...
in engineering (1).....	"	...	3,102	3,154	3,141	3,154	3,162	3,168	3,163	...	...
in consumer goods industries (2).....	"	...	...	...	...	...	...	...	...	...	...
UNEMPLOYMENT											
By duration:											
All durations—total.....	"	457.4	475.2	360.4	341.2	305.1	292.0	350.8	340.1	299.3	258.6
Temporary or under 2 weeks.....	"	141.0	120.8	89.8	73.2	66.2	72.5	99.8	92.2	67.8	69.3
Over 8 weeks.....	"	197.7	243.4	187.6	198.3	172.1	163.2	174.3	158.2	140.1	136.4
By regions (1):											
Great Britain.....	%	2.1	2.2	1.6	1.5	1.4	1.3	1.6	1.5	1.3	1.2
London and South Eastern.....	"	1.3	1.3	0.9	0.9	0.8	0.7	1.0	1.0	0.9	0.7
Eastern.....	"	1.7	1.5	1.3	1.1	0.9	0.9	1.2	1.2	0.9	0.7
Southern (3).....	"	1.6	1.5	1.0	0.7	0.6	0.5	1.3	1.3	0.9	0.9
South Western (3).....	"	2.2	2.2	1.7	1.5	1.3	1.2	1.6	1.4	1.2	1.0
Midland.....	"	1.6	1.5	1.0	0.7	0.6	0.5	1.3	1.3	0.9	0.9
North Midland.....	"	1.6	1.5	1.1	1.0	0.9	0.8	1.2	1.0	0.8	0.7
East and West Ridings.....	"	1.9	1.9	1.2	1.1	1.0	0.9	1.0	0.9	0.8	0.8
North Western.....	"	2.7	2.8	1.9	2.0	1.8	1.7	1.5	1.5	1.4	1.3
Northern.....	"	2.4	3.3	2.8	2.8	2.5	2.3	2.4	2.3	2.0	1.9
Scotland.....	"	3.8	4.4	3.6	3.5	3.2	3.2	3.2	3.0	2.8	2.7
Wales.....	"	3.8	3.8	2.7	2.5	2.3	2.1	2.6	2.5	2.2	1.9
VACANCIES											
Unfilled vacancies notified to Employment Exchanges: Total.....	'000s	198	224	314	327	361	380	314	337	354	383
INDUSTRIAL PRODUCTION											
Index:											
All industries.....	1954=100	106	113	120	125	119	109	126	123	122	126
Seasonally adjusted.....	"	94	92	89	95	88	73	89	88	87	...
Mining and quarrying.....	"	105	111	118	119	111	107	146	133	127	...
Construction.....	"	119	123	133	129	122	112	128	126	125	...
Gas, electricity and water.....	"	107	114	123	124	123	123	125	124	124	...
Manufacturing, total.....	"	111	118	127	128	127	117	139	133	131	...
Seasonally adjusted.....	"	109	101	92	92	93	89	94	93	93	...
Engineering and electrical goods.....	"	118	131	139	158	144	126	141	141	143	...
Shipbuilding.....	"	115	131	145	150	144	137	154	151	...	...
Vehicles.....	"	91	98	102	105	96	92	109	103	98	...
Chemical trades.....	"	...	...	...	...	...	...	...	...	...	...
Textiles, leather and clothing.....	"	...	...	...	...	...	...	...	...	...	...
BASIC MATERIALS											
Production of:											
Coal (7) (8).....	W	'000 tons	4,150	3,963	3,725	3,988	3,628	2,978	3,763	3,679	3,792
Pig iron.....	W	"	245	242	303	299	295	289	313	308	297
Steel, ingots and castings.....	W	"	369	388	467	475	466	391	471	472	466
Sulphuric acid.....	M	"	186.8	202.3	225.1	215.4	217.0	225.2	242.0	218.8	224.5
Newsprint.....	W	"	11.81	12.87	14.25	15.48	15.59	10.86	15.06	14.34	14.04
Electricity (7) (11).....	M	mn. kwh	8,208	8,764	9,904	8,781	7,782	7,770	11,236	9,835	9,697
MANUFACTURING											
Textile production:											
Cotton yarn, single.....	W	mn. lb.	14.77	14.58	14.44	15.65	13.25	12.35	14.28	14.33	14.34
Worsted yarn (12).....	M	"	17.18	19.34	20.40	21.30	19.29	17.55	22.89	19.20	21.14
Rayon and synthetic fibres.....	M	"	35.18	42.89	49.33	51.99	48.34	46.65	47.53	42.18	46.3
Cotton cloth, woven.....	W	mn. yds.	27.0	25.7	24.9	26.5	24.9	15.7	25.4	25.7	25.3
Wool fabrics, woven (12).....	M	mn. sq. yds.	29.1	30.4	30.6	30.4	29.5	29.3	31.7	24.6	29.4
Engineering production:											
Passenger cars and chassis.....	W	'000s	19.84	22.88	26.01	34.13	29.62	23.51	19.56	19.35	22.58
Commercial vehicles and chassis.....	W	"	5.90	7.13	8.81	9.48	9.68	6.96	9.27	9.41	9.70
Internal combustion engines (12).....	M	'000 BHP	3.78	4.68	5.77	6.06	5.92	5.10	7.37	5.99	...
Metal-working machine tools (12).....	M	£'000	6,993	6,564	7,911	7,107	7,520	8,532	11,158	9,358	9,670
BUILDING ACTIVITY (10)											
Permanent houses completed:											
Total.....	M	'000s	20.13	20.78	22.44	22.99	24.31	22.41	22.97	21.12	22.78
For local housing authorities.....	M	"	9.43	8.29	8.60	9.14	9.44	8.36	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.

APPOINTMENTS



ORGANISATION AND METHODS

The Birfield Group of Companies has a vacancy for an O. and M. Officer to take charge of this function. He will be executive responsible to the parent company's Secretary who has been trained in O. and M. and he will undertake assignments to advise companies of the Group.

Applications are invited from men interested and experienced in this work. It is likely that the successful applicant will be aged 30-35 years, of sound commercial training, with two or three years O. and M. experience, the requisite personal qualities and currently earning in excess of £1,000 per annum.

The department is located at the offices of Hardy Spicer Limited in Birmingham and initial application should be made, stating age, education, training and experience, to the

Personnel Manager,
Hardy Spicer Limited,
Chester Road, Erdington,
Birmingham 24

EXCEPTIONAL OPPORTUNITY—NEW ZEALAND

An exceptional opportunity for a Chief Accountant Administration Executive exists in the Head Office of a progressive industrial finance corporation in Wellington. The company has international affiliations, and branches and associate companies throughout New Zealand.

The applicant should be a qualified accountant, aged between 30 and 45, and with a background of proven ability, commercial accounting experience and organisation. Duties include the supervision of all accounting of the parent company and associated companies at Wellington, the development of mechanical accounting, records, general office routine and co-ordination of accounting staff.

Salary will be commensurate with the position and there is a superannuation scheme.

Applications, marked "Confidential," to Box TE.913 c/o Hanway House, Clark's Place, London, E.C.2.



ECONOMIC RESEARCH

British Nylon Spinners Limited invite applications from graduates with a good honours degree in economics for an appointment in the Economic and Market Research Unit of their London Office.

The activities of the Unit are interesting and varied, covering a wide range of markets and products, and the successful candidate will be in a position to obtain a thorough understanding of all aspects of the Unit's activities.

Initially, the successful candidate's particular concern will be events and developments in international trade of importance to the Company's interests. These include the trend to regional free trade groups, such as the E.F.T.A. and the E.E.C., activities of the G.A.T.T. and the trade policies of a number of countries with particular reference to tariffs and quotas.

Applications should be addressed to the Recruitment Officer.

British Nylon Spinners Ltd.,
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quoting reference L.14.

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Proprietor of two Sugar Estates and a Distillery in British Guiana requires

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who would be stationed at the Company's Georgetown Office and would be responsible to G. H. B. Hutchinson, Chairman of the Estates Management Committee, as his financial adviser, as coordinator of all accounting control information and its presentation and return to Head Office in the U.K. and generally.

Preference given to candidates of Guianese or West Indian origin aged between 30 and 40, who should possess Chartered Accountant's qualifications and should have had experience of modern budgetary control systems.

Remuneration will be about £2,500 p.a., depending on qualifications, with free housing and a car. Generous contributory pension scheme and leave, with passages paid to country of origin.

Applications to Managing Director, Demerara Co. Ltd., Martins Bank Building, Liverpool, 2, for onward transmission to British Guiana. It is hoped to hold final interviews for shortlisted candidates in London about 21st September.

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UNIVERSITY OF GHANA

DEPARTMENT OF SOCIOLOGY

Applications are invited for the SENIOR LECTURER or LECTURER with special interest in social anthropology and experience and interests in Africa, and the SENIOR RESEARCH FELLOW or RESEARCH FELLOW, particularly competent in advanced research methods, including statistical techniques and with interest in problems of economic development and social change. Fellow, Ghanaian £41,500 x £42,500 x £43,500 x £44,500; non-Ghanaian £42,500 x £43,500 x £44,500 x £45,500. Lecturer, Ghanaian £31,500 x £32,500 x £33,500 x £34,500; non-Ghanaian £32,500 x £33,500 x £34,500 x £35,500. Research Fellow, Ghanaian £41,500 x £42,500 x £43,500 x £44,500; non-Ghanaian £42,500 x £43,500 x £44,500 x £45,500. Entry at appropriate position. Appointment normally five years in first instance. Other allowance £450. Car allowance £150 p.a. Family allowance for non-Ghanaian for each child in West Africa £150 p.a. or if under age of 21 and being educated outside West Africa, £100 p.a. maximum 5 children. Part furnished accommodation at choice, not exceeding 8 per cent of salary. F.S.S. policies maintained if already held, or superannuation on similar basis. Pensions for appointment and family on appointment and normal termination. Annual leave with 4 overseas return passages in every 4 years for non-Ghanaian and one every three years for Ghanaian. Applications (six copies with full details of qualifications, experience, etc. and naming three referees to be sent before 25th September, 1961, to the Assistant Registrar (London), University of Ghana, 16 Gordon Square, London, W.C.1, from whom further information may be obtained.

For other appointments see page 746

STAFFORDSHIRE COUNTY COUNCIL

EDUCATION DEPARTMENT

Applications are invited for the appointment of a STATISTICAL OFFICER. This is a new appointment and the person appointed will be responsible for the collection, correlation and analysis of statistical information relating to the Education Service in Staffordshire. Salary in accordance with A.P.E. Grade III (£950-£1,140 p.a.). Further details and application forms may be obtained from the Director of Education (Admission, Education Office, Hall Street, Stafford, to whom completed applications should be returned by 8th September 1961).

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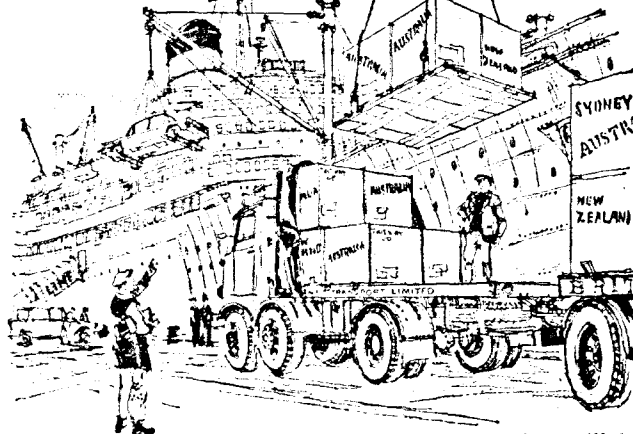
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(ALL FIGURES REPRESENT £ MILLIONS)

1961 First Half-year			1960 First Half-year			1960 Second Half-year		
947			908			939		
720			682			705		
TURNOVER			of which sales to third parties					
1961 First half-year	RESULTS		1960 First half-year	RESULTS		1960 Second half-year	RESULTS	
COMBINED LIMITED N.V.	Profit before taxation... Taxation on profit... Profit after taxation... Exceptional items... Minority interests... CONSOLIDATED NET PROFIT.		COMBINED LIMITED N.V.			COMBINED LIMITED N.V.		
51.9			55.8			50.3		
29.0			30.6			27.3		
22.9			25.2			23.0		
26.5			27.8			25.8		
15.0	11.5		14.5	13.3		13.4	12.4	
25.4	14.0	11.4	28.0	16.1	11.9	24.5	13.9	10.6
2.5	2	2.7	1.6	5	1.1	3	4	7
1.0	4	6	1.2	5	7	1.2	4	8
26.9	13.4	13.5	28.4	16.1	12.3	23.6	13.1	10.5

10th August, 1961.

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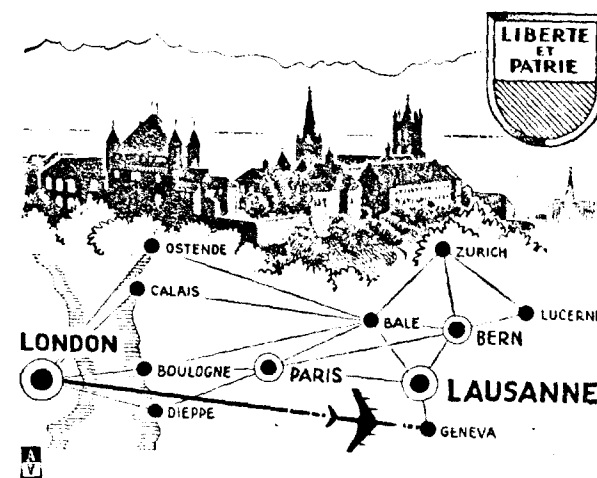
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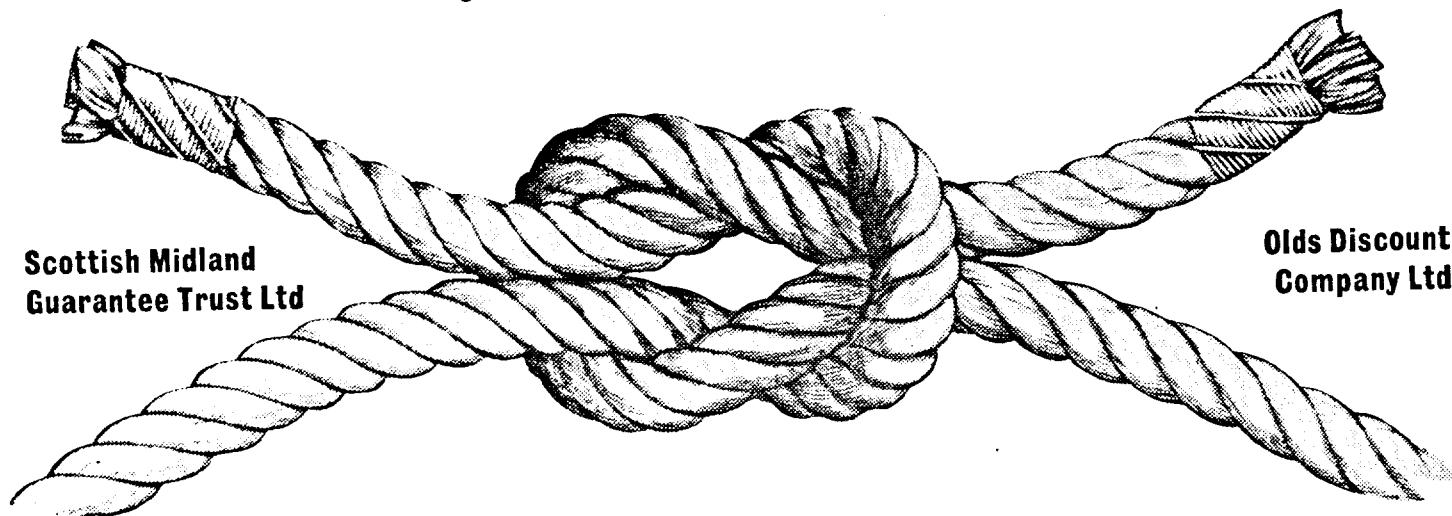
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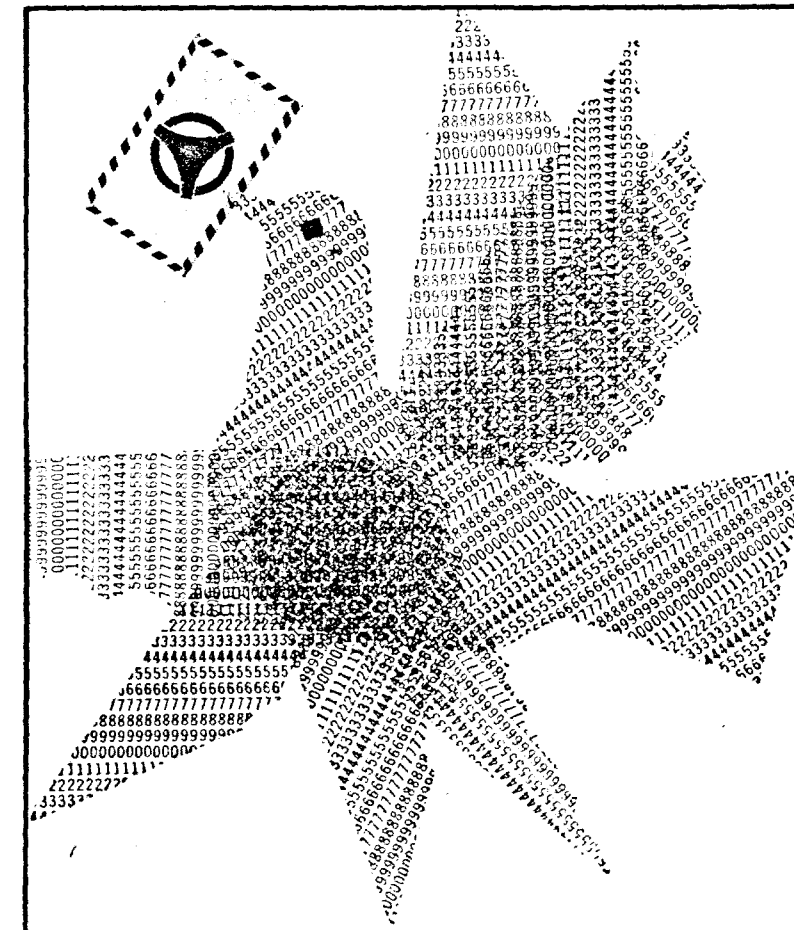
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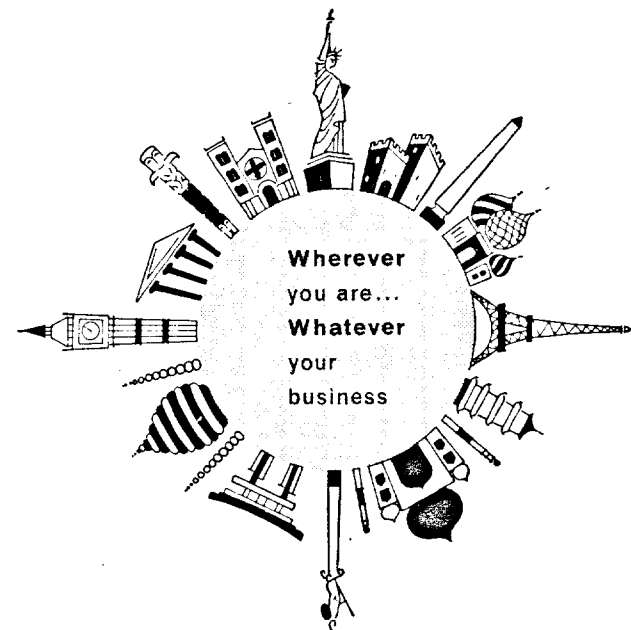
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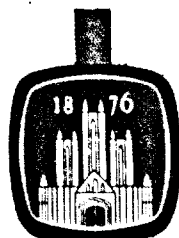
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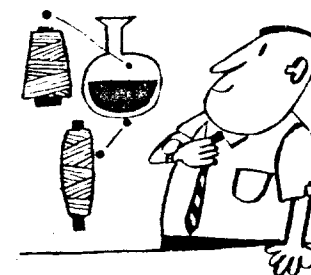
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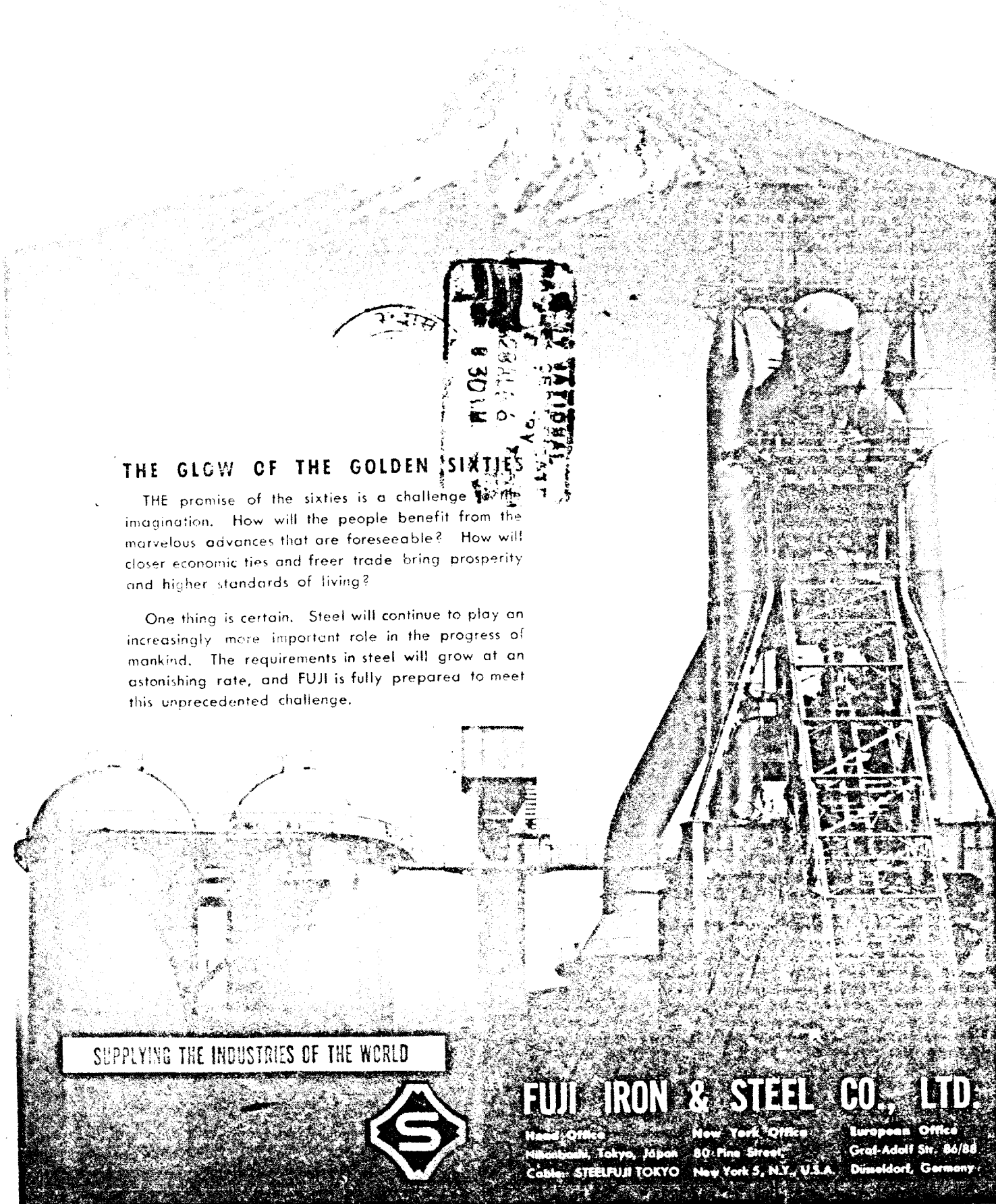
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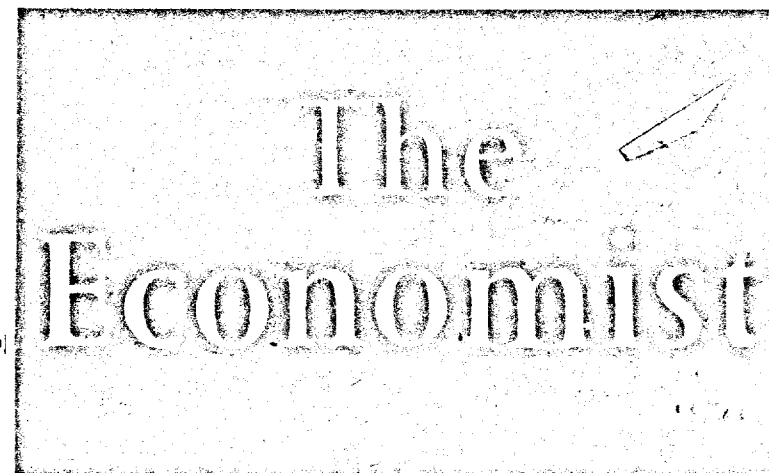
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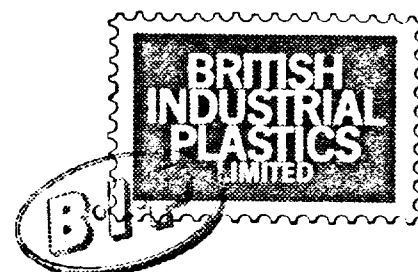


Facing East page 774

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Reluctant Philanthropists in Washington page 791

Where is Leyland Driving? page 811



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August 26, 1961

INTERNATIONAL

Pleasure of Giving

The United Nations can be regarded as a place for talking away difficulties; or, more hopefully, it can be used as a dynamic instrument, capable of service to the big as well as the smaller members (p. 775).

AID IN PERSPECTIVE

Three pages of charts and tables show who is giving and who is receiving—and the amounts (p. 788-90).

Giving of Pleasure

Kenya: Mr Jomo Kenyatta has given hope to some of his countrymen (p. 781).

Britain: Now is the swarming season for overseas students to the United Kingdom (p. 782).

Northern Rhodesia: The future comfort of the protectorate lies in the hands of the British Government (p. 780).

Pan-Africa: Europe may yet donate an element of unity to those gay receivers, the anti-colonialists (p. 782).

Giving of Displeasure

Mozambique: The exiled Africans in Dar-es-Salaam wish few delights on the Portuguese governors of the overseas territory to their south (p. 809).

Portugal: The topsy-turvy outside world is, in Lisbon eyes, pain-

fully misguided. No matter—in Lisbon's view, the world will return to its senses again one day (p. 806).

Spain: Basque partisans, royal dukes, and Pimpinel figures from the past are disturbing the long sleep imposed by General Franco (p. 779).

Germany: Not all the voters are pleased with Dr Adenauer (p. 805).

Berlin: Tugs from both east and west: it has long been split at the seams (p. 777).

Geneva: It is hard to calculate what technical advantage there would be for the West if America resumed nuclear testing (p. 777).

Tel Aviv: Mr Ben Gurion is frustrated because he is apparently unable to bequeath a two-party system to Israeli politics (p. 808).

Displeasure of Giving

President Kennedy is trying to avoid a Waterloo over his foreign aid Bill (p. 791).

The American Vice-President may have been too much of a Texan in Berlin last weekend (p. 792).

The American refusal to allow direct flights between New York and Moscow is a way of expressing disapproval of Russia's behaviour in Berlin (p. 792).

This year's Farm Act makes no basic change in the unfortunate system by which American farmers are subsidised (p. 796).

In British Guiana, Dr Jagan must offer his leadership to the country, not to his Indian followers alone (p. 808).

HOME

Grand Strategy

The government's and British industry's new ideas on how to plan the British economy need to be looked at rather quizzically (p. 771).

NATO and Berlin: The West's inadequate conventional forces are acting as though negotiation were the key to the crisis; the politicians are less certain (p. 774).

Leyland Motors: From the lorry-driver's cab, Leyland has no doubt formed some decided views on the world of pleasure motoring, but it has not made clear where it intends to steer Standard-Triumph's car production (p. 811).

Television manufacturers are puzzling over lines and colours, while the viewer has been left in the dark—a full-length documentary would help (p. 812).

Bold Designs

Coal: By taking some of the dirt out of the fireplace, Mr Robens hopes to sell more coal (p. 818).

TUC: This year's annual report is stodgier than ever: but some recent actions give brighter grounds for hope (p. 778).

The Press: A professional contribution to the great Fleet Street debate (p. 780).

School Building: Some exemplary progress—and the case for further rationalisation (p. 779).

National Insurance: Britain has a remarkable machine for social succour: it also needs some gears to control it (p. 780).

Brighton: The landladies' headache (p. 786).

Workers: Continental firms are fishing for labour in Irish waters (p. 786).

Channel Bridge or Channel Tunnel? (p. 817).

Tough Tactics

London Docks: Harder times hit the dockers and reinforce their traditional wariness (p. 785).

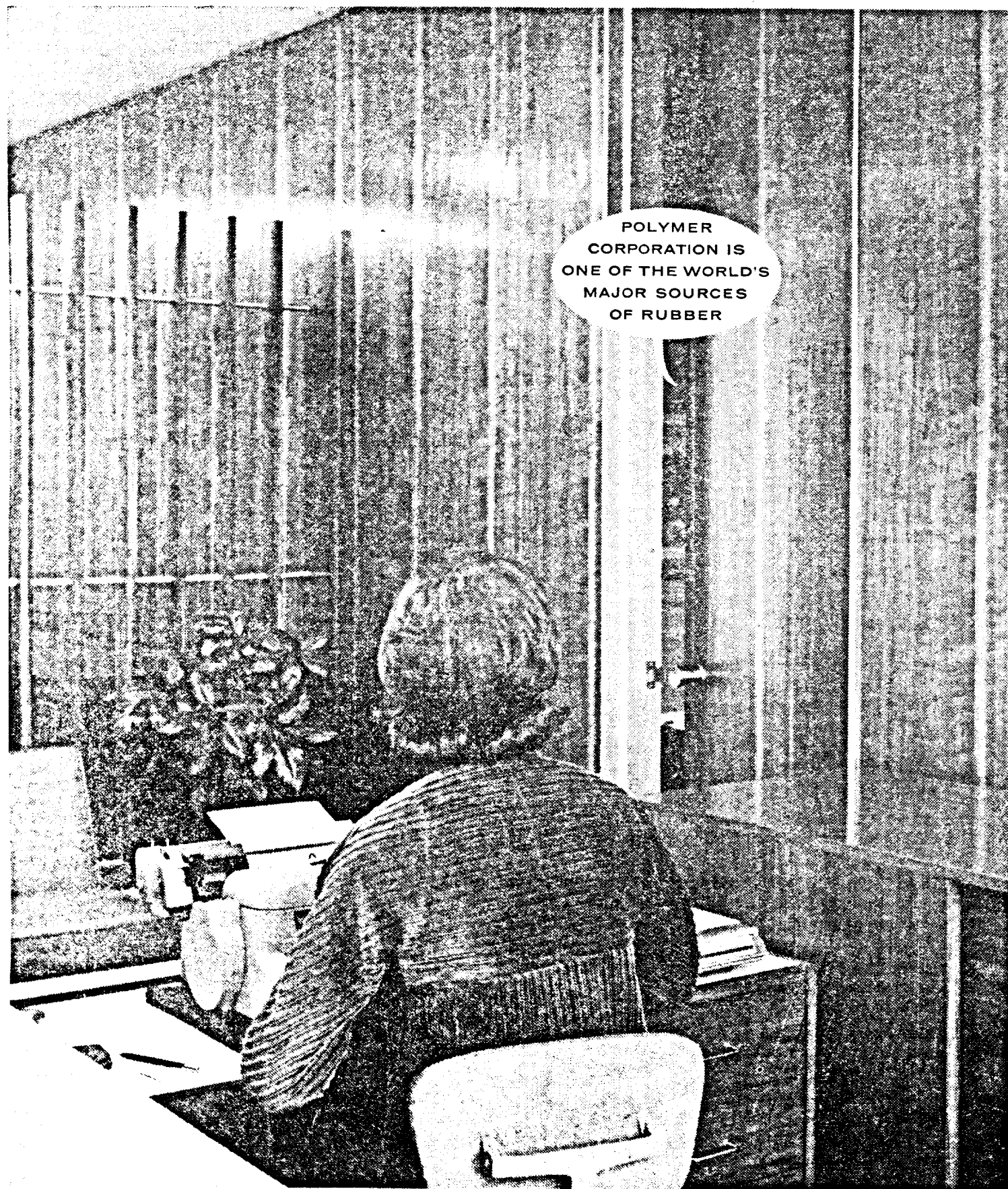
Europe: Mr Heath for Britain is a firm but tactful bargainer (p. 777).

Middlesbrough: The bully-boys of Britain's slums are never at a loss for a handy scapegoat (p. 778).

Fire Brigades: The firemen present a bold challenge to the wage pause (p. 781).

Dog Fight: BEA probably hopes to influence the Air Transport Licensing Board's consideration of applications by rival fliers with its announcement of a prospective loss this year (p. 815).

Detailed contents on page 771



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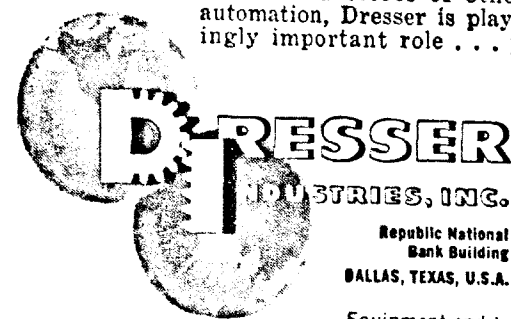
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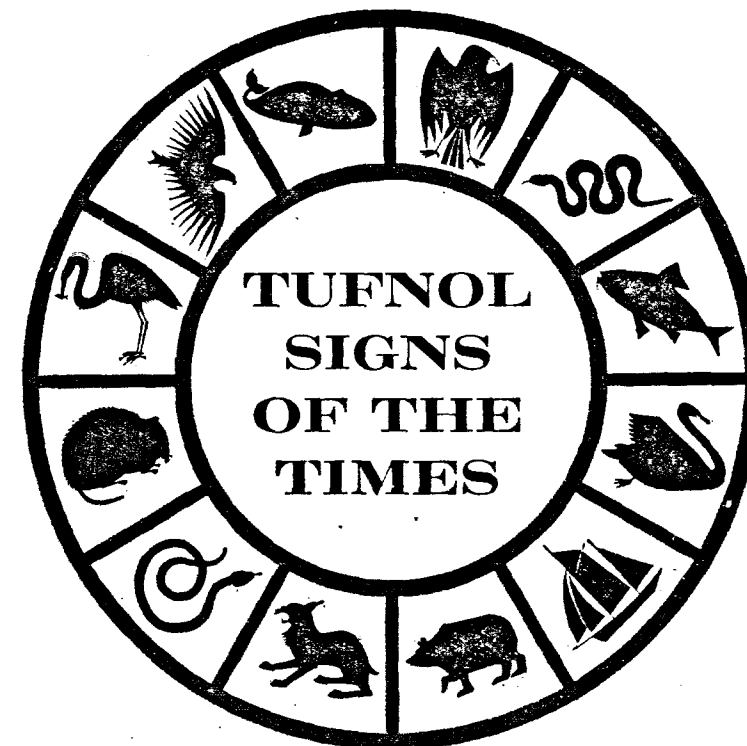


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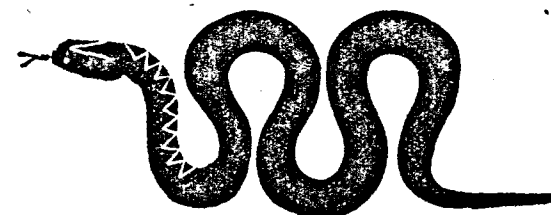
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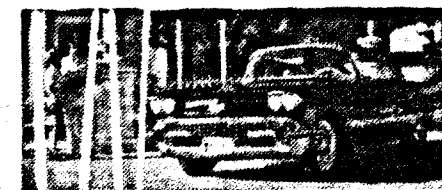
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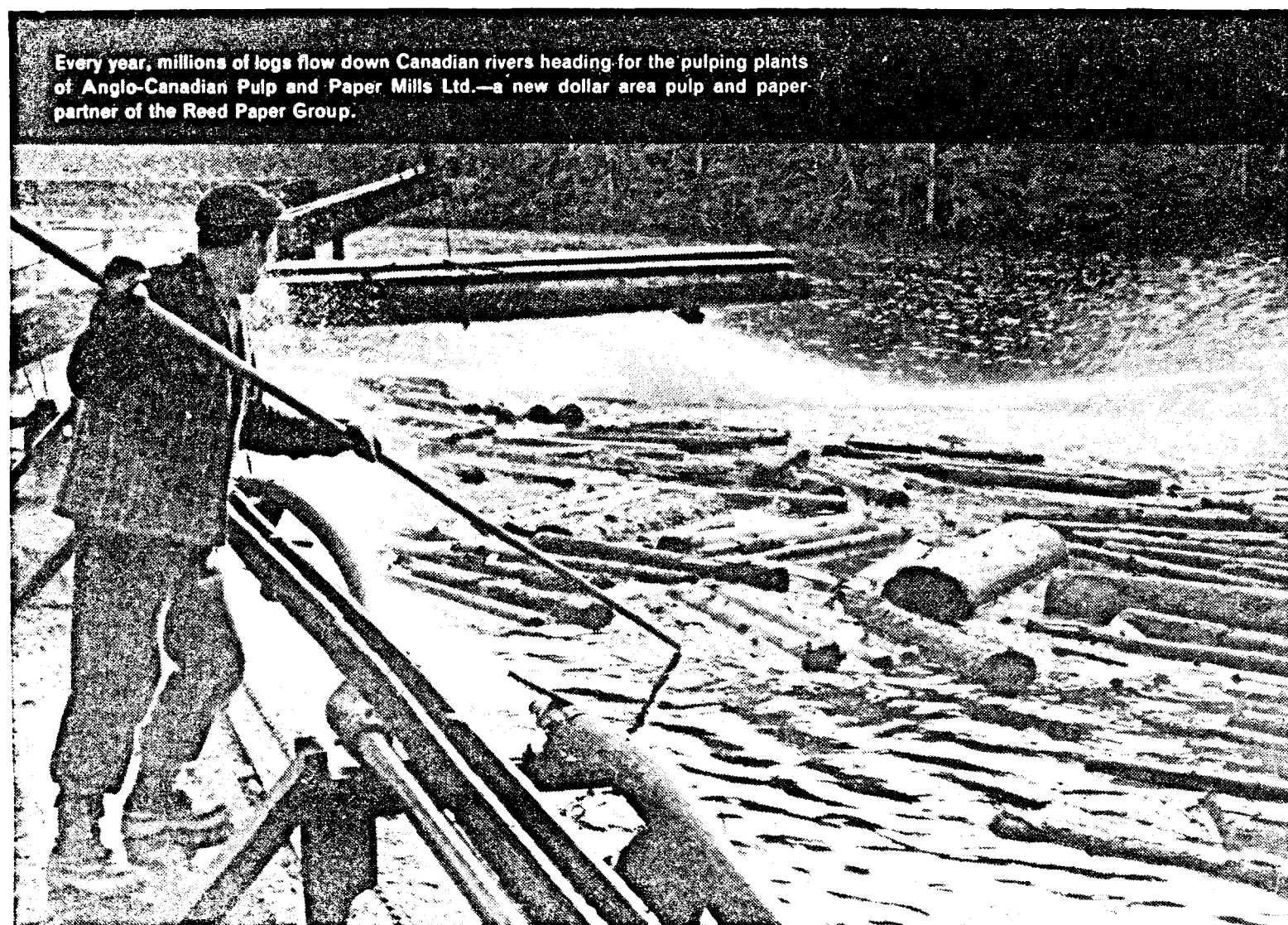
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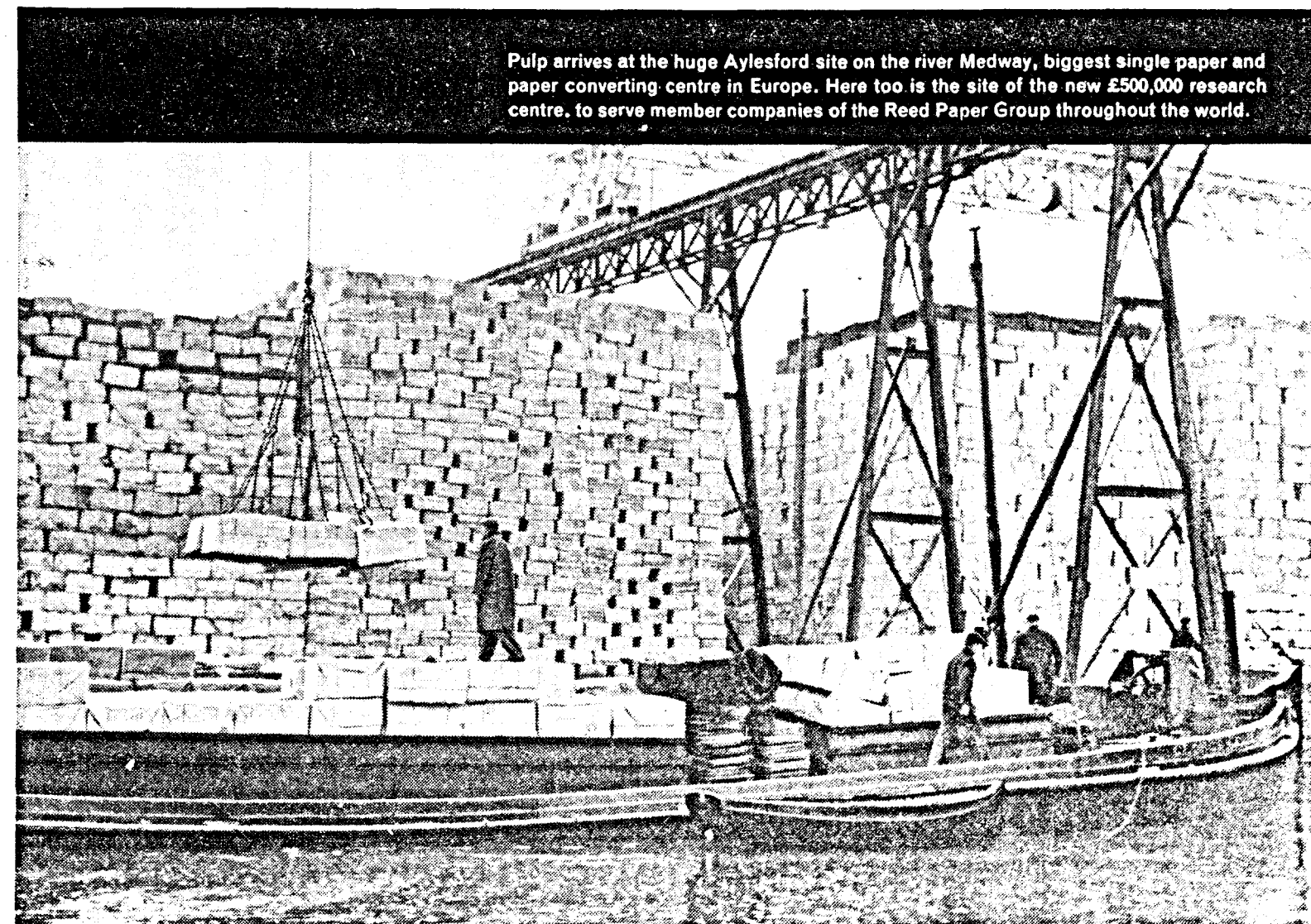
expansion which the Reed Group is undertaking. Recent additions include a £2½ million pulp and paper mill under construction in Norway; a £2 million packaging company operating throughout Australia; in Italy the Group, in partnership with one of Italy's most progressive organisations, has acquired a leading packaging company and is building a carton board mill.

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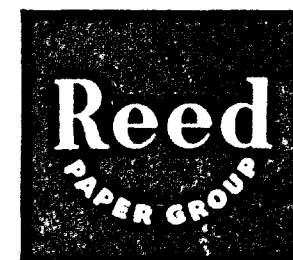
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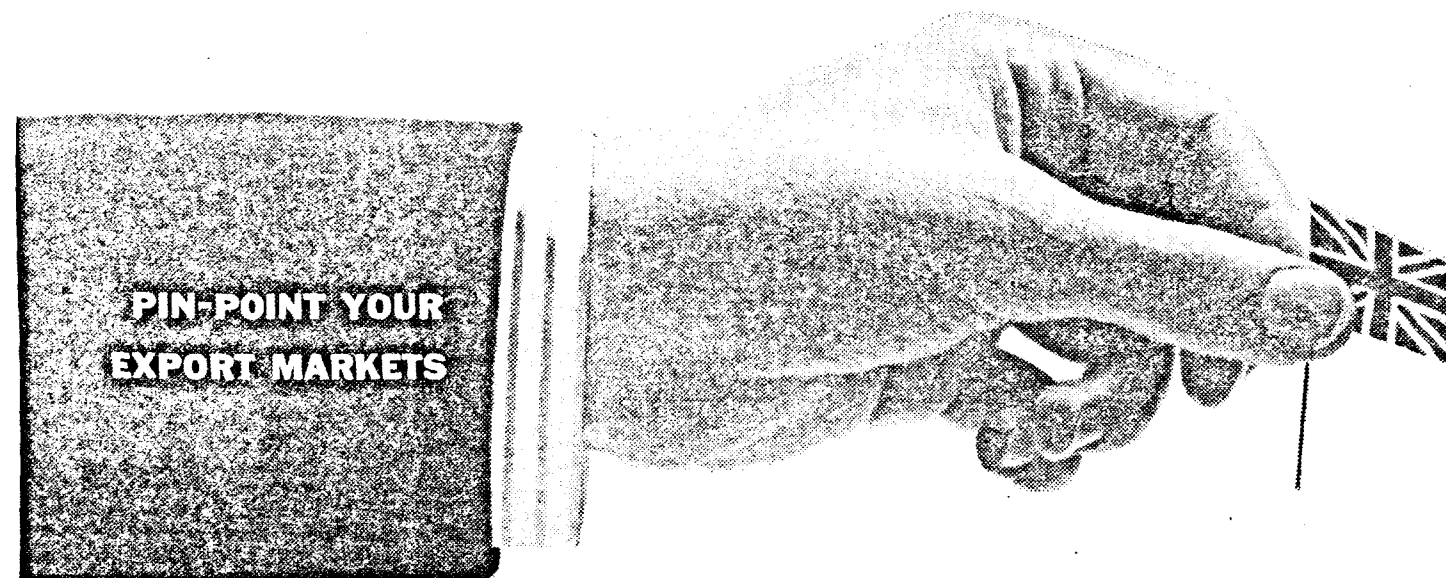
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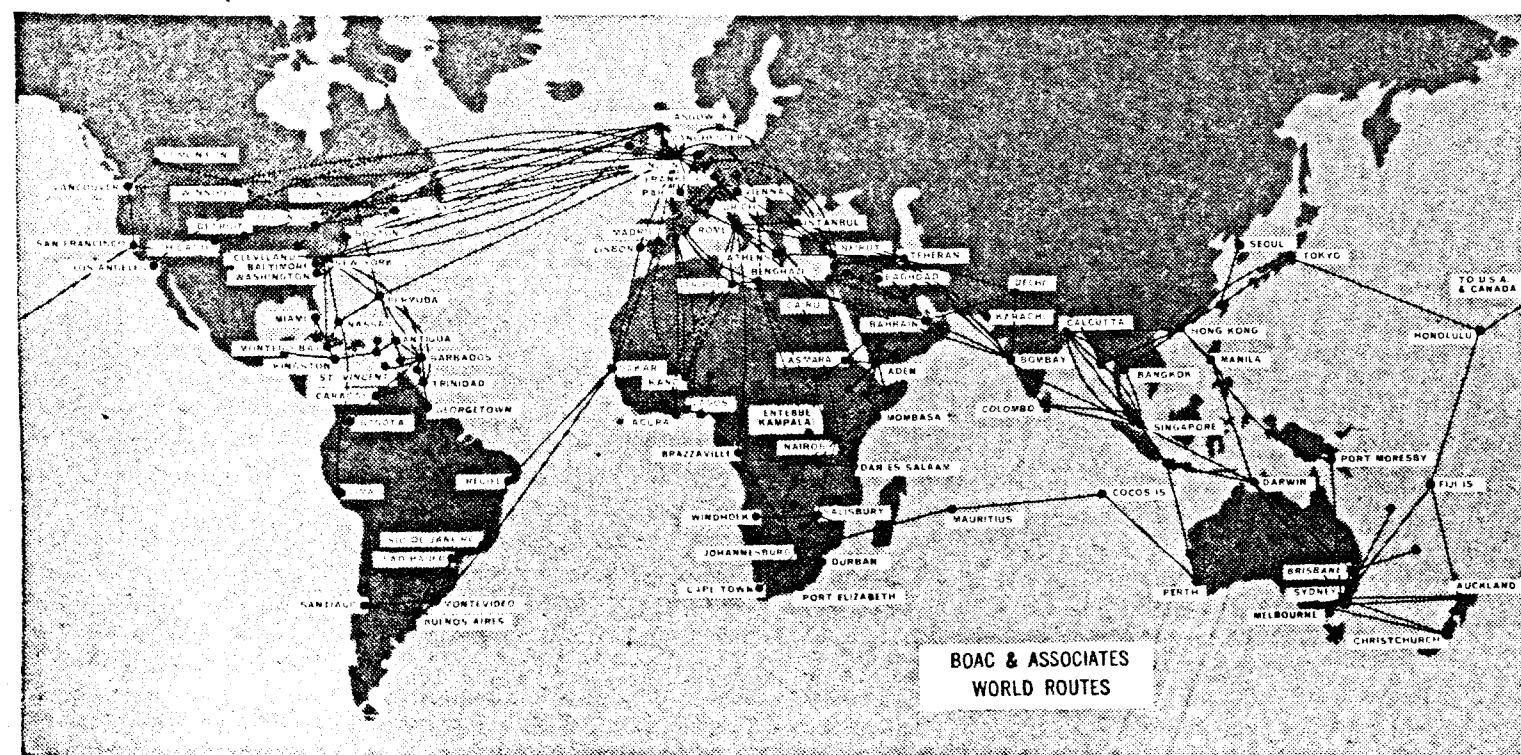
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The Economist

AUGUST 26, 1961

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VOLUME CC - NUMBER 6157

Planning by Whom?

IT is not very clear what sort of new machinery for long-term economic planning the Chancellor was trying to adumbrate to trade unionists and employers this week, but there are indications that he may be misconceiving what the aims of planning should be. Possibly this was because his immediate audiences were not exactly the easiest people to whom to explain them. But it had better be said straightaway that the objective of planning should not be to get some "representative" committee of trade union leaders, large employers and establishment figures to sit down together, air their mutual prejudices, and strike meaningless verbal compromises with each other, in the hope that Britain's economic difficulties will then somehow be rubbed away. On the contrary, the purpose of any effective new planning machinery should be to diminish the practical power of some of these organised groups, and to increase the influence over public policy and attitudes of what might be called the economic technocrats.

Everybody who has studied the way in which various nations' economic policies have been run since the war knows who these economic technocrats are. They are men who think and operate in terms of (sometimes infuriatingly glib) production targets and planned efficiency drives; they play something of the role in some nations' affairs that time-and-motion-study men play in some individual factories; and they have some of the disadvantages and drawbacks of those stopwatch men. Any organisation in which they have too much authority or prestige can become rather soulless; and even at quite an early stage their extreme worship of figures can look more than a little absurd. One should always be ready to grin at such announcements as a recent one from Japan that "the Government, at a Cabinet conference held in December, 1960, decided to set the 1961 target of the nation's real economic growth at 9.2 per cent." The planning technocrats can also make big mistakes. Yet the fact remains that several successful countries in Europe—not merely France, which is the case everybody talks about now—have clearly expanded their economies more quickly because men who try to guide governments' policies with both eyes on these statistical production targets are in positions of public influence.

In Britain, our nearest equivalent to men with the chance (and with sufficient access to economic information) to act as such technocrats are some civil servants hidden from public gaze in the Treasury and possibly some officials in the Bank of England. Britain, like Europe but unlike America, has the advantage that if the Government has any ideas about how to influence the economy, it can put those ideas fairly quickly into legislative and budgetary effect; our parliamentary system is superior to America's congressional system in that respect. But the difficulty in Britain has so far been that the climate of opinion has been peculiarly unfavourable to the economic technocrats. Blame for this must be laid on almost every sector of what might be called opinion-forming people in our national life. Among Britain's "establishment" and among parliamentary backbenchers, the desire for productive efficiency is very far from being a driving force. Whenever it is proposed to extend a factory in a booming industrial area, there are protests that the proper sites for such ventures are those where 4 or 5 per cent of unemployed local workers need jobs rather than those where production costs will be lowest; and whenever it is proposed to build a new works in an undeveloped part of the country, angry leading articles declare that it will spoil

some local villagers' or yachtsmen's or nearby gentlemen-farmers' view. British trade unions, too, have never allowed themselves to recognise that the only way in which real wages can be raised is by raising real production; they are much more eager to try to get money wages increases far in advance of productivity increases, and their "examinations" of the ways in which they themselves hold production back always tail off in the end into explanations that they need do nothing because other people are holding back production too. Industrialists do not welcome surveys of ways in which their own particular industries might be improved; they regard such criticisms as libels, and complain that for official bodies to publish them is insulting and unfair. Finally, the Government has hitherto—or, at least, until recently—opposed the publication of target figures for economic growth, apparently because it fears public criticism if these targets are not hit.

Public Sector Planning

THE first advance that has been made in the last few months is that the Government seems to have been converted into viewing the publication of production targets with more favour. It seems probable that, following the recent Plowden report, it is now going to make some attempt to plan or project its own public expenditure programmes for some five years ahead; and that it will do the same, within very broad limits, with the investment programmes of the nationalised industries. When its dissertation on this "public sector plan" appears, some sort of proviso is likely to be made that the plan will only make sense if national production can be raised by an average of, say, 3 per cent a year over this period. Once such a figure is published, it could have the important psychological effect that political argument will be centred on the steps that are needed to achieve it; indeed, the Opposition is likely to say that the target should be set higher, and that might impose some obligation upon the Opposition to devise its policies in a way that would seek to persuade people that it was production-minded too. At the same time it would be logical if the annual Economic Survey and the Chancellor's Budget speech dropped back into the habit of forecasting what sort of increase in production it seems reasonable to aim at in the year immediately ahead; and in conjunction with this the Government might at last begin to plant in the public mind the sort of figure which annual increases in earnings (i.e. in total earnings, including piece-rate earnings, not merely basic wage rates) must not surpass if the country is not to plunge into inflation. The Chancellor has started on this last exercise with his plea for a wages pause: public opinion is being told that the safe immediate increase in wage rates is nought. Although the immediate expostulating reaction of the TUC has been to issue statements about how wicked the Chancellor is, it is noteworthy that the main practical reaction of individual unions has been to slow negotiations over their own wage claims down, to take a later place in the queue.

These fairly long strides towards more public planning can be achieved without any changes in Whitehall's administrative machinery, without setting up any new outside committee. The Chancellor's and the Federation of British Industries' idea of setting up a new two-tier committee (consisting of about twenty-five businessmen and trade unionists in a top

council, with an "office" of economic technocrats beneath them) is relevant to a different problem: to whether Britain should be prodded into what might be called "indicative planning" for the private sector of the economy as well. If this is to be done, it is important that the economic technocrats should do most of the estimating work, and (even if they are nominally called subordinate to the businessmen and trade unionists) exert most of the real influence. The French system of planning (which is excellently described in a recent pamphlet by Political and Economic Planning*) has arranged this division of power rather well. It deserves close study.

The French Model

THE French *Commissariat Général au Plan*, which was the brainchild of M. Jean Monnet shortly after the war, at present has a total staff of 140 people; it comes under the Minister of Finance, but it is not incorporated into his department. These technocrats are now in the throes of drawing up France's fourth Four Year Plan. At the beginning of last year they produced alternative sketches of what would be the likely increases in demand in various sectors of the French economy if production between 1962 and 1966 rose by 3 per cent, or 4½ per cent, or 6 per cent a year. After considering the various sketches and reports, the government ordered the *Commissariat* to prepare its final plan on the basis of a target of 5 per cent annual growth. It was felt that "the 6 per cent version seemed to imply a vulnerable balance of payments, and therefore appeared a little over-ambitious." The *Commissariat* then drew up its detailed plan of likely increases in demand on this basis and submitted it to its twenty-five Modernisation Commissions. Each commission consists of some thirty or fifty unpaid volunteers, drawn from heads of big firms, trade union leaders and government officials. Twenty of them deal with different industries or branches of social activity (e.g., chemicals, energy, housing, education, etc.); and five deal with problems that are common to all sectors (e.g., manpower, research and regional planning).

The Modernisation Commissions play a secondary role in the plan. For example, they check the *Commissariat's* "assumptions regarding the evolution of technological coefficients and the progress of productivity," and examine how far the investment intentions of private industry make it likely that production of different things will be available to meet the expected increases in demand in the different sectors. To some extent, the mere publication of these estimates helps to divert investment into what the planners think are likely to be the right places; the *Commissariat's* plan extends "to a nation-wide scale the market surveys made by each single firm." But the French government also has pretty extensive powers both over its wide sector of nationalised industry and over private industry—for example, it gives special tax incentives and provides capital on favourable terms—to encourage investment to take place in sectors where the plan suggests that expansion is particularly desirable.

How far does a similar system seem desirable here? The idea of "extending to a nationwide scale the market surveys made by each single firm" has everything to recommend it.

* PEP, Vol. XXVII, No. 454, 31 pages, 5s.

It could have all sorts of practical and psychological advantages: in concentrating people's attention on industries that ought to be growing (instead of reserving public concern for uneconomic industries that are rightly declining), and perhaps even in providing some yardstick of possible annual increases in total demand against which wage claims can sensibly be discussed in each industry. It is more doubtful whether Britain should also adopt the idea of using tax and credit incentives (presumably, in Britain, selective investment allowances and some government loans) to guide investment in the directions that the planners think are going to be profitable. But this would partly depend on who and what the plan-formulating body in Britain was.

An important feature of the French system is that the Modernisation Commissions, on which employers and trade union leaders sit, do not draw up the plans or projections of demand themselves. To let them do so in Britain would be disastrous; if, for example, a group of employers and union leaders in shipbuilding were asked to estimate their future market, they would certainly come up with a wildly over-optimistic guess and say that it was essential they should have government aid to put them into a position to satisfy it. But the matter is different when some outside body like the *Commissariat Général* makes the original estimate, and interested bodies of employers and trade unionists merely pass comments on technical difficulties attached to it; if, for example, a British planning body estimated that the demand for new houses was bound to increase, there might be some advantage in getting builders and building trade unionists to discuss ways in which the supply of them could be helped to rise. What form, therefore, should Britain's master-planning body, its equivalent of the *Commissariat Général*, take?

What Board for Britain?

THE idea seems to have taken root in Britain that French experience has shown that any Planning Board's staff should be "quite distinct and independent from the Treasury." This may well be a mistake. M. Monnet, it should be noted, formed France's *Commissariat Général* at a time when he was in a position to build up more influence and expertise in an outside body than the French Treasury at that time could command. In Britain, however, the expertise and the power are already vested in the Treasury. Any entirely new body that was set up would be likely to find its authority overshadowed and its importance diminished thereby. One's fear is that a completely outside body might in time either repeat the relative inefficacy of the Cohen Council (which was also at first provided with a fairly high-powered research staff), or else (which would be much worse) might become a pressure group for some of the protectionist measures that would be favoured by its top council of businessmen and trade unionists. To say this is not to deny that there would be some disadvantages in completely rigid Treasury control of any planning machinery. The traditional anonymity of Treasury civil servants is a disadvantage; any planning staff should preferably have a well-known and forceful national figure as director. There may also be some substance in a point made by *The Observer* last week: that the Treasury is always liable to be

"more concerned with immediate financial objectives" than with giving a real impetus to growth. In addition, the Treasury is a monstrously over-swollen department already, and if important new functions were loaded on to it, it might be more than ready to burst.

Readers of *The Economist* will know what our own solution would be. We have often argued that the Treasury should now be split under two Cabinet Ministers. The more senior of them—to be called either Minister for the Economy, or the First Lord of the Treasury (at present a nominal post held by the Prime Minister), or Chancellor of the Exchequer—should be in charge of general economic policy. The British equivalent of the *Commissariat Général au Plan* could then be vested in his department. If, in order to ensure some continuity when ministers change, his top civil servant were called a director-general instead of a permanent secretary, and was encouraged to be a less anonymous and more national figure than civil servants usually are, and was allowed to make public speeches stating his own views (like the Governor of the Bank of England, only more so), so very much the better. The second and slightly less senior Cabinet Minister in the Treasury—to be called either Minister for the Budget, or Minister of Finance, or Chancellor of the Exchequer—should then be responsible for narrower financial operations and for exercising an efficiency audit over government expenditure: it should also be his job to introduce the annual budget and Finance Bill, but he should be required to cast it in a form that exerted whatever degree of reflationary or deflationary pressure the Minister for the Economy thought desirable at that time.

Each year, it seems more clear that Britain will eventually have to move towards this sort of ministerial reform. At present, however, for various reasons of entrenched interest and *amour propre*, there is no prospect that it will be undertaken. In the interim, therefore, the best course might be for the Chancellor, working through normal Treasury machinery, to draw up and publish a plan for public sector expenditure in the next four to five years—acting initially on the assumption that gross national product can be made to increase by an average of, say, some 3 per cent a year. An Economic Planning or Estimating Board, whose director should be allowed much more freedom to make public declarations of aims than other civil servants are, should then be set up, but more closely linked to the Treasury than the Chancellor suggested this week; its first job should be to estimate what will be the state of demand in various sectors of the economy by 1966 or 1967, which industries should be declining by then and which expanding, and what will be the requirements for such things as exports and skilled labour and wage restraint, if the 3 per cent annual target is to be achieved without inflation or balance of payments difficulties. If a council of employers and trade unionists could then be persuaded to pass comments on these estimates, and sometimes even set its seal of approval on them, this would be an additional advantage. Between this sort of system and the system of joint FBI-TUC seniority that the Chancellor seemed to be adumbrating this week, there are many graduations. But, in general, the more that influence is exerted by economic technocrats, and the less by organised industrial groups, the better; it would be a bad mistake to give too much planning power to those who, to some extent, need to be planned against.

Facing East

Western attitudes to the Berlin crisis suggest that the soldiers are preparing to negotiate, and the politicians to fight

THE despatching of 1,500 American troops (and a train-load of British armoured cars) to west Berlin may or may not make sense in terms of raising public morale in the city. In hard military terms, it makes no sense at all. The presence of these reinforcements is a negligible factor in the number of hours that the west Berlin garrisons (now some 12,500 men) could resist attack; the net result of their movement has therefore been a slight loss to the western capacity to conduct a delaying conventional action west of the Elbe. Indeed, it might logically be concluded on both sides of the iron curtain that the very act of putting still more troops into the Berlin bag means that Nato does not apprehend any more serious operations this autumn. Unfortunately, military dispositions are not always logical: reinforcements arrived in an equally indefensible Hongkong shortly before the Japanese attack in 1941.

This week's movement seems, however, to be the first false step (and a minor one) which Nato has made in the immediate crisis. If General Norstad is in a weaker position than he should be, it is the result of political decisions taken several years ago. Contingency planning in western Europe for any emergency short of the outbreak of a major nuclear war has to make the most of limited, and sometimes entirely sketchy, resources. But the soldiers had better now work out calmly what the contingencies to be guarded against are.

Western military calculations have to take account of four conceivable developments arising out of Soviet actions in the coming months. The first is the simple resumption of the land blockade against west Berlin. The riposte favoured in some quarters in Washington and Paris is to call the Russian bluff and send a column, or columns, along the access routes to the city. The argument is that either the Russians and east Germans will not open fire (thus allowing the blockade to be lifted) or that, if they do, they will be universally judged to have precipitated a general conflict. This may well be fallacious: for a start, there are more ways of blocking a hundred miles of road than by opening fire on a convoy. The western column would most probably find itself having to start the shooting. This would hardly be a solution.

The second and even grimmer contingency would arise if overt Soviet and east German efforts were made to prevent an airlift to Berlin: to be effective this kind of Soviet obstruction would have to go beyond such semi-passive means as jamming radar or buzzing aircraft. In such a situation the communist block would be much more likely to put itself demonstrably in the wrong with uncommitted opinion. But if Mr Khrushchev chose to accept this diplomatic consequence he would still be able to confront the West with the hard reality of its guarantee to protect west Berlin without the nuclear monopoly which it still possessed when the obligation was last fulfilled in 1948-49. For the West to force its way into Berlin against really determined resistance would require two to three years of total mobilisation (and arms production) and a concurrent and improbable undermining of the whole Soviet

strategic position in central Europe. Certainly, no immediate reinforcement of Nato with conventional forces can affect this western predicament in the slightest.

The third and grimmest contingency would arise if the Red Army, instead of standing impregnable on the defensive, were in fact planning a deliberate advance westward: the "try-on" conventional attack which, in a situation of nuclear balance, some Russians might believe would not draw down nuclear retaliation by the United States. Such a move could be prompted by long-term Soviet calculations of the duration of the communist block's superiority in missiles; or it could come about (on the lines of the Austrian desire to crush Serbia in 1914) as part of a determined policy to destroy west German power before the irredentist groups there feel strong enough, through the possession of nuclear arms, to precipitate and exploit a major uprising in the east.

Fortunately this contingency does not at present look a very likely one, and it is fairly clear what precautions the West should take to guard against it. The key military factor to note here is that, in normal circumstances, the Warsaw Pact command does not possess sufficient reliable divisions outside the Soviet Union to undertake an operation of this magnitude against even the patchy screen of 21½ Nato divisions in the central European theatre. A rough and unsteady parity is now in being. The Red Army's 10 armoured and 10 mechanised divisions stationed in east Germany would need to be supplemented by a further 20 or more divisions from Russia itself to upset the balance. If the east German, Polish and Czech divisions did no more than restrain civilian uprisings and sabotage they would perform all that Marshal Koniev probably expects of them: even so, further Soviet divisions would have to be deployed to protect communication lines and hold down other satellites like the Hungarians.

BEFORE the Soviet Union undertook a westward push of this kind, it would need, on the experience of the closing stages of the second world war and of the Korean war, a minimum superiority of three to two in divisions along the front, and a superiority of something like five to one in the decisive sectors. (This is based on Captain Liddell Hart's calculations.) If the basic Nato defending forces were at full strength, well trained and properly mobile, they could be expected to give a good account of themselves against anything less than a sustained Russian build-up. There can be legitimate doubts whether General Norstad's forces (including the three British divisions) are in quite this resilient condition as they stand: but this is an argument for supplying them with the technicians and specialist categories that they now lack, not for supplementing them with hastily assembled scratch formations—which the Russians can always match two or three times over and far more quickly.

Something of this kind appears to have been the British argument in Nato counsels up to now: if minor reinforcements are sent to the British Army of the Rhine in the next few weeks it will be as a local precaution, not a major supplement. In no circumstances should any movements be presented in such a way that the Russians would then feel obliged and justified

in moving more divisions of their own into east Germany, thereby triggering off further feverish preparations on each side of the Elbe. A minor Russian build-up because of nerves or fear of an east German revolt could conceivably be matched in the first instance by the British strategic reserve (including its new armoured elements) and by such forces as General de Gaulle possesses on his side of the Mediterranean. But Marshal Koniev must be fully aware that major Red Army movements across the satellite communication systems would be detected by allied intelligence, and that once General Norstad felt himself totally overmatched in conventional forces the definite prospect of a nuclear war would confront not simply Nato but the Soviet command. This possibility, in turn, would presumably have an influence on Mr Khrushchev's own actions in and around Berlin. Since he cannot possibly be sure that the United States would accept defeat in conventional war in western Europe (whatever he thinks it might do over Berlin itself) reason must argue against his taking any risk of this kind.

THE fourth contingency is perhaps the most serious of all, because it introduces the one major element of irrationality that could upset all other calculations. This is the prospect of an east German uprising, either spontaneous or provoked by west German activists to counter an eastern move to seal off west Berlin entirely. There are sound psychological reasons why such an attempted insurrection might not receive substantial support in east Germany after the experience of 1953 and in the absence of any prospect that the Soviet system itself was in a state of turmoil and uncertainty similar to that after Stalin's death. Unless Mr Khrushchev were falling from

Dynamo for Diplomacy? BIZERTA BERLIN

Invoked over Bizerta, but ignored—so far—by the parties to the Berlin dispute, the United Nations mechanism is still little understood, and only partially used

AN innocent might be forgiven for scratching his head in puzzlement at the present preoccupations of the United Nations Assembly. Ninety-nine governments have sent representatives to this week's special session on Bizerta. The dispute is a serious one, but not at first sight a direct threat to the safety of all mankind; and the few days when Bizerta was the scene of large-scale bloodshed are now more than a month ago. Meanwhile, the headlines are black with grave talk of Berlin, and the great powers are looking to their arms; but the question is not even on the agenda of the regular Assembly session that will open on September 19th.

For the bewildered innocent, the cynic has a ready explanation: the Berliners are not brown enough; the alarms of a couple of million white people strike no answering chord in a body whose predominantly non-European membership would respond with alacrity to a similar plaint from a non-white community anywhere. To some degree, this cynical view of the United Nations is held by a fair number of people,

power, the Soviet and east German forces could certainly stamp out any half-hearted rising, but two dangers would then arise. West German feelings would be registered in loud interventionist noises; and even if actual intervention by the eight or so west German divisions was avoided, the Russians might be sufficiently alarmed to take precautionary action along the border, including stabs into the West to secure key communication points and a better defence line. If such a crisis were not to blow up into a general East-West trial of strength, it might be thought desirable to keep the previous build-up of forces on each side to the minimum and to ensure that west German forces were not too far forward in the western screen.

It is logical that the West, being in the weaker military position in central Europe, should now avoid any heavy-handed preparatory steps that—by provoking the transfer of more Russian divisions to east Germany—would merely exchange a precarious balance of power in the area into total western conventional inferiority. As in the past, the whole question of western military planning in Europe is bedevilled by political uncertainty over the function that Nato is really intended to serve. Nato's present military posture suggests that the intention is to negotiate with the Soviet Union; if so, the idea of negotiation on the German problem must now be pursued seriously and purposefully. But the western political posture suggests that there is no such clear intention; in that case, the West faces the eventual prospect of having to fight for the central Europe it wants to see. To meet that contingency Nato, as it now stands, is evidently inadequate. The West must make its choice: if it does not, it will condemn itself to achieving neither a settlement nor its own security.

including General de Gaulle. Hence, in part, the French boycott of the Bizerta debate.

Reality, however, is less simple. The Bizerta session itself shows that. It has not taken the shape of a headlong assault on France by the "anti-colonial" phalanx in the assembly. The Tunisians would have preferred a settlement achieved without this week's sound and fury. The Afro-Asian resolution has been moderately worded; if it is not moderate enough to ease the embarrassment of the United States and Britain, that is small wonder, for their sensitivity to French reactions in present circumstances would make it hard for them to vote for any form of words other than empty pieties; but it seems bound to attract a sufficiency of support, including some from European members. The Russians, though glad enough of the openings the Bizerta debate has given them for general denunciation of all foreign bases, have publicly complained of the Afro-Asians' moderation; while Mr Adlai Stevenson, although arguing that the chances of a direct settlement would be better if no resolution were passed, has supported the substance of the Tunisian case.

The Bizerta debate, then, is not fresh evidence that the UN assembly is merely a forum for Afro-Asian diatribes against the West, with the Soviet group gleefully exploiting these ructions. It is evidence to the contrary. And if more

evidence were needed, it is amply to be found in the record of UN dealings with the Congo problem during the past year, the year covered by the secretary-general's latest annual report.

Mr Hammarskjöld's measured, unemotive prose is not easy going. But innocent and cynic alike would find in the introduction to his report an illuminating analysis of what the United Nations actually is ; more, what it could be. He points out that the events of the year 1960-61 have brought to the fore two quite different concepts of the organisation's character, authority and structure—concepts between which the member states must choose to decide its fate.

Some, he remarks, see the UN strictly as "a static conference machinery for resolving conflicts." Others regard it as "a dynamic instrument" through which governments should not only seek reconciliation but also "try to develop forms of executive action, undertaken on behalf of all members," with the aim of forestalling conflicts as well as of resolving them after they have arisen. The "conference" concept is "firmly anchored in the time-honoured philosophy of sovereign national states in armed competition." The dynamic concept takes the traditional notion of a diplomatic conference only as a starting point, "envisaging the possibility of continued growth."

Naturally, he continues, those who would restrict the UN to a traditional conference role tend to "side-step the mandatory nature of the decisions by the Security Council," to oppose "a gradual increase in the weight of decisions of the General Assembly," and even to refuse "to shoulder the financial consequences of a decision." Equally naturally, they resent the development of the secretary-general's office in cases when, having been instructed to carry out decisions of the council or assembly, but being unable to get full and timely guidance from those organs, he himself "has had to shoulder responsibility for certain limited political functions." Again, the conference concept leads its adherents to see no need for the Charter's insistence on the exclusively international character of the secretariat as a whole. In the field of economic aid, the same concept sustains a preference for bilateralism.

MR HAMMARSKJÖLD shows cogently that this static conference concept cannot be made to fit either the letter or the spirit of the Charter, while the dynamic concept can. He points out that it is up to the member governments to decide which course the organisation is to follow ; but he feels bound to give warning that

those whose reactions to the work of the organisation hamper its development, or reduce its possibilities of effective action, may have to shoulder the responsibility for a return to a state of affairs which governments had already found too dangerous after the first world war.

If a fault may be found in his analysis, it is his tendency to classify governments as adherents to either the dynamic or the static concept. Are there not many who are divided in their own minds ? It is all too natural for a government (and people) to favour, in principle, the protection and other benefits offered by a developing organisation, while resisting, in practice, the consequential restraints and demands on itself. These mental conflicts may be traced in present attitudes to the Berlin problem—to which Mr Hammarskjöld refers briefly.

Realistically, he does not press any claim to a central position in the matter for the United Nations, but at the same time he insists that, if peace is threatened, it cannot be denied the "right to make its voice heard." One may deduce that "its" voice, in such a context, means essentially the voice of "the majority of nations who wish to stand aside from the big-power conflicts." Next week, some twenty-five of those nations will be represented at the Belgrade conference by their heads of government or other leading personalities. Three weeks later, regardless of whether there has been any move to put Berlin on the UN assembly's agenda, the uncommitted countries' foreign ministers and chief delegates will sit down in New York together with those of the West and of Russia ; and the topic will hardly be avoidable, on the floor or off it.

In the past, the habit by which the powers concerned keep the Berlin controversy to themselves has been fully matched by the disinclination of remoter states to take any real interest in it. But times have changed. Active canvassing of neutral opinion by both parties is in full swing. Mr Nehru's voice has been heard ; that of Dr Nkrumah has echoed, in a perhaps strained tone, from Peking, where he agreed with his hosts last week that a German peace treaty and "normalisation of the situation in west Berlin" were of urgent importance. Neither party to the dispute need have any illusions that it could carry a resolution frankly in support of its position through the assembly ; but both aim at exerting leverage through the weight of "uncommitted" opinion.

NEITHER Berlin nor the United Nations will benefit if the assembly is used only as a sounding board for familiar recriminations. If a discreeter line is taken, it might provide the occasion for quiet Soviet-western contacts of a kind that would not offend against French scruples about negotiating under pressure (it may be recalled that it was after informal talk between UN delegates that the Soviet blockade of Berlin in 1948-49 was lifted). A focusing of the attention of third parties, whom both sides wish to stand well with, may serve to inhibit both from making tough moves. But does this represent the effective limit of a UN role in regard to Berlin ?

Obviously the great powers cannot be physically coerced in such a matter by even the broadest coalition of weaker states. But the prospects for a solution might well be improved if the uninvolved nations applied themselves to working out auxiliary mechanisms. Supervisory and shock-absorbing functions have become a familiar UN chore in other areas ; so has the building of "golden bridges" over which contestants can withdraw, without loss of face, from over-committed positions. The idea of simply replacing the western garrison in Berlin by a UN one has been turned down by the West, and is not likely to be revived by Mr Khrushchev while his campaign against the secretariat continues ; but there are other useful forms a UN "presence" might take. Any such contribution by the uninvolved nations would clearly depend on a will to agree between the principal parties ; but the offer of the contribution might help that will to emerge. At all events, sheer dislike of the idea of a great power having to pray the aid of the small fry ought not to be allowed to stand in the way. The story of the mice who set free the entangled elephants has pointed a moral, in Asia at least, for well over two thousand years.

NOTES OF THE WEEK

BERLIN

Bipartite

HERR ULBRICHT'S new restrictions on movement inside Berlin, announced on Tuesday, differ from his previous measures by affecting west Berliners, and the allied troops and administrators in the city, as well as the unfortunate east Germans. But the new measures are themselves of two different kinds, and should be treated by the West accordingly. Those designed to keep westerners out of the eastern part of the city (by reducing the number of crossing points, and by requiring west Berliners to buy entry permits from so far non-existent travel offices) are objectionable on grounds of humanity, and because it is contrary to reason that a city should be cut rigidly in two in this way. But the battle for Berlin as one city was fought and lost in 1948, when the elected assembly of the city was forced to withdraw to the western sectors, and the administration was cut in two.

Since then, it has always been in the communists' power to choose where they would tolerate what had become the fiction of one Berlin, and where they would ride roughshod over it. The sector boundary has now been turned, *de facto*, into a state frontier of the hermetic kind favoured by communist governments. These actions can be protested against, but in fact they have to be accepted.

Of the measures announced on Tuesday, the really unacceptable one is the "warning" to people on the western side of the barricades to keep a hundred yards away from the boundary. Presumably the allies will tell Herr Ulbricht that what happens in west Berlin, even fifty yards within it, is no concern of his, and the west Berliners that they are free to go peaceably where they want in their own sector. The West's primary interest remains to protect the integrity of, and their own access to, west Berlin. This also makes it necessary to look with a wary eye on the Russian note received on Wednesday, which complains about the "abuse" of the air traffic to and from Berlin. By allowing east Berlin to be sealed off, the Russians have deprived themselves of a ground for concerning themselves with who visits west Berlin and who does not. The freedom of the air corridors, unlike what happens in east Berlin, cannot be accepted as lying within communist jurisdiction, even *de facto*. Here is a potent source of trouble to come.

In their notes to Moscow on August 17th, the allies said that Herr Ulbricht's actions had violated the quadripartite status of Berlin. The Russian reply of August 20th retorted that the quadripartite status had

already been eroded by the setting up of a separate political and economic system in west Berlin. It is by now somewhat academic to argue about who started the process of pulling Berlin apart at the seams. Bipartite in fact, if not in theory, it now is. The West can hardly much longer escape the obvious necessity of seeking a new agreement, safeguarding the part of Berlin that has been under its protection for the last dozen years, in place of the uncertain protection afforded by the old quadripartite arrangements.

NUCLEAR TESTS

Itch and Edge

IS it, or is it not, "one last effort" ? At Geneva, Mr Dean and Mr Ormsby-Gore are resuming the attempt to agree on a treaty effectively banning nuclear weapon tests. Since midsummer, when the Russians dug in on the "troika" line, the talks have been at a standstill. There is no indication of any Anglo-American retreat from the argument that a three-headed inspecting staff as demanded by Mr Tsarapkin would mean a built-in veto that could turn "inspection" into a farce. President Kennedy has said that he expects the new round of talks to be decisive. He has had a gloomy report from the team of scientists whom he had asked to study the possibility that Russia might stage secret test explosions, during the present "unpoliced" period of voluntary abstention from tests, without being detected. His chief disarmament adviser, Mr McCloy, said on Tuesday that he simply did not know whether the Russians are now secretly exploding nuclear devices.

Mr Khrushchev's assertion, in his recent talk with Mr McCloy by the Black Sea, that Soviet scientists have asked for permission to test a bomb 5,000 times as devastating as the one dropped on Hiroshima, may have been meant for effect ; but there doubtless exists a Soviet lobby in favour of resuming tests as well as the better known American one. Mr Khrushchev says he told his nuclear scientists that if the Americans, who were "itching" to resume testing, did so, they would be free to follow suit.

There is admittedly force in the argument that Russia may get a dangerous edge over the West if it can get away with secret tests while other powers continue to tie their own hands. It is less easy to calculate what

technical advantage there would be for the West in a general resumption to outweigh the political odium of having initiated it. Mr Kennedy's problem is to keep the nice calculation of edges quite separate from the natural itches.

MR HEATH

The Historic Commuter

THE Prime Minister has probably made the right choice in selecting Mr Edward Heath, the Lord Privy Seal, to conduct Britain's negotiations with the Six. The other possibles were Mr Maudling and Mr Thorneycroft. Mr Maudling had the overwhelming disadvantage of having been over the same course unsuccessfully (with a different brief) once before, and the creator of Efta would not have been exactly happy presiding over its liquidation. Mr Thorneycroft is one of the most enthusiastic Europeans in the Cabinet, but does not have the close relationship with the Prime Minister which is enjoyed by Mr Heath. A high degree of mutual congeniality and confidence between the Prime Minister and the leader of the British delegation is essential, since at every stage of the negotiations a heavy burden of responsibility will rest on Mr Macmillan personally. Mr Heath also has the advantages of being held in high esteem by the leaders of the Six, while enjoying the confidence of most members of his own party who regard him rightly as a convinced but not



Mr Heath: convinced

a fanatical European ; some Tory backbenchers would have suspected Mr Thorneycroft as being too "fanatical" from the start. Mr Heath's position as minister in charge of European affairs, which he has held since July last year, has given him a good opportunity to familiarise himself with the complexities of the European situation. Finally, while he was Conservative chief whip, he displayed gifts of tact, persuasiveness and toughness combined—all of which will be needed in the negotiations that lie ahead ; and since he has been a cabinet minister he has emerged as an adept simplifier of complicated issues. One doubt about the appointment is whether the Prime Minister

as been wise to decide that Mr Heath should still discharge his normal duties at the Foreign Office while the negotiations proceed, and remain as Foreign Office spokesman in the Commons. The fact that Mr Heath's desk in London will still be at the Foreign Office may heighten the impression that the negotiations have been 'given' to that department; some other departments may not be too pleased with that. But in the long term Mr Heath has been accorded an opportunity to associate his name in history with a momentous change of direction in British policy; and in the short term, if he is successful, he will find himself well in the running for the leadership of the party.

Brussels is Britain's preferred venue for the talks which may open late next month. This would be a convenient centre for Mr Heath, given that his duties in the Commons are to remain; commuting by air between London and Brussels should not be too arduous. When Mr Heath is in London his functions as head of the delegation are likely to be discharged by a senior civil servant. That will be a particularly important appointment too.

TRADES UNION CONGRESS

Muffled Report

LAST year the annual report of the TUC's general council contained some remarks on unofficial strikes and shop stewards: they were much criticised by people outside the unions for excessive caution, but it was said that this was only a preliminary report and that the sequel would show that the central body of the trade union movement was at last getting to grips with its most threatening problem. This year's report, which will be the nucleus for debates at the 1961 congress at Portsmouth on Monday week, contains that sequel: the general council almost apologises for having almost spoken plainly last year, and the subject is let drop with a vague promise of further discussion. The highly pertinent discussions organised by the Minister of Labour between employers and unions in the motor industry are not mentioned, because they were formally outside the TUC's machinery. In fact the answer is a lemon, and a squashed one at that.

Elsewhere in the report, thirteen pages on the encouragement of the arts by trade unions wind up with the conclusion that the TUC as such can do nothing. And, after setting out the potential advantages of a new central body for trade union education, the general council state that they "would wish to reconsider their recommendations, even though they were acceptable to a majority, should they be questioned by any significant minority." Here the leaders of the TUC are hugging to themselves the doctrine of their own assumed impotency: without effective unanimity

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they feel that they can do nothing. The general council can advise, but not command: congress can instruct the general council, but it has no means of ensuring that its instructions are carried out. Sometimes, this may be a good thing. In explaining why they took no action following last year's congress vote for unilateral nuclear disarmament, the general council say that "it was thought that the time was not opportune for further steps to be taken." No doubt, too, the unions have more urgent uses for their money than subsidising the theatre. But it makes one wonder where the trade union movement is to get its leadership from.

Perhaps the general impression that emerges from all this is too gloomy. Although the Portsmouth congress the week after next is certainly going to pass angry notions against the Chancellor's wage pause, the leadership hardly seems in an embattled mood to demand a showdown with the Cabinet. The general council's report apparently went to press too early for it to take credit for its success in persuading the executives of the two warring unions—the Shipwrights and the Boilermakers—to make some progress towards joining forces. Disputes between these unions have been a main cause of demarcation disputes in shipyards, and if the TUC has succeeded in abolishing craft demarcation with the fusing of the two bodies, it has done a most useful thing. Towards the Electrical Trades Union, also, the TUC is preparing to act with firmness; the Portsmouth congress will open with the ETU being expelled—which presumably means that other unions can recruit electricians—until such time as the union's communist leadership either reforms itself or admits itself voted out of office. One can therefore still have some hopes that Mr George Woodcock's period of office as general secretary will see the TUC start to do the things it should be doing. But this year's stodgy annual report is a setback to those who had pitched such hopes very high.

THE AMERICAS

Tender Feelers

DR FRONDISI's brief meeting with Major Guevara last Friday has set a swarm of military men buzzing round the Argentinian president's ears. He was forced, on Monday, to defend himself in a broadcast that reaffirmed his government's opposition to communism, but gave little indication of what passed between him and Cuba's Argentinian-born minister of industry. The rush to the microphones shows again how hard it is for any Latin American political leader to act against the prejudices of his armed services. But Dr Frondizi's willingness to see Major Guevara is evidence of the concern, shared by most responsible Latin Americans, however anti-communist, to foster whatever signs there may be of a *détente* between the United States and

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Cuba. Attempts at mediation have been repulsed by both sides before now; it is just possible that Cuba, at least, is no longer in so militant a mood.

The return of the hijacked Electra in exchange for a Cuban patrol boat was a welcome hint of a return to reason. Dr Castro acted wisely and quickly in dissociating himself from other, non-Cuban, feats of sky piracy. And although Major Guevara found himself unable to sign the declaration of Punta del Este on August 17th (despite the removal of the clause about honest and periodic elections suggested by Peru), his conduct at the conference was, for the most part, shrewd and constructive. At one point he even seconded a resolution put forward by Mr Dillon. Although these attempts at courtesy and good sense eventually collapsed when Major Guevara attacked the "meagre objectives" of the alliance for progress, and Mr Dillon looked forward to a change of regime in Cuba, the possibility of some sort of future accommodation did not, for once, seem entirely out of the question. With his economy slipping towards bankruptcy, Dr Castro may put out feelers to the West. Latin American leaders as adroit as Dr Frondizi recognise the folly of treating these feelers roughly.

EGYPT

Brave Heresy

FOR writing and printing a controversial article in Cairo's weekly paper *Al-Musawwar*, its editor, Mr Mohamed Fikry Abza, has been dismissed by presidential decree. If there is anything remarkable in this it is not that Mr Abza was punished but that his article appeared at all. It was flagrantly non-conformist, envisaging a neutral federation of all the Arab countries, whose unification would be confined to armies and foreign policy: Israel was to be included provided it foreswore Zionism. This was heresy indeed. But heresies of this magnitude are not conjured out of a vacuum. They are generated in the flow of civilised conversation. Mr Abza, both poet and journalist, has merely given proof that the pursuit of ideas in his country is still a healthy activity. It was through a long tradition of intellectual liveliness that Egypt first acquired its authority to lead the Arab people. Such a tradition is precious and should be cherished.

MIDDLESBROUGH

Sunday Night, Monday Morning

CANNON STREET, Middlesbrough, is not exceptional in its way of life, its attitude to the police or its belief that coloured people are somehow fair game for a punch-

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up. The dingy communities and dingier minds that exist in a good many British cities are declaring themselves one by one: the peculiarity about Cannon Street is that its denizens and hangers-on succumbed to a stupefied hysteria last weekend in sufficient numbers to pack the stipendiary magistrate's court on Monday morning and attract the attention of the newspapers and television. Smaller stirrings reach the courts, but not the headlines.

The Middlesbrough authorities have been confident (perhaps over-confident) in their declarations that colour prejudice is not at the root of the trouble there: if this is accepted, it is still true that the coloured man, or the coloured man's car or shop window, is regarded as a natural target for the resentment that Cannon Street directs at any section of society that is mildly energetic or successful—or simply different from itself. The police, as the immediate representatives of society, inevitably came in for a mobbing. Incited by their local harpies and followed by gangs of excited adolescents, the men of Cannon Street emerged at closing time to prove their manhood according to their lights. One policeman, according to the chief constable, was "buried under screaming lunatics"; one received a fractured skull, another a fractured spine. This kind of occurrence is far from unusual in back-street life in a number of cities; but the news that this is so may now jolt some comfortable consciences.

It is easy to condemn Cannon Street. It is very hard to discount or excuse its own stupidity. It is harder still to do anything immediate or positive (barring stiff sen-



Cannon Street: publand punch-up

tences) to bring home to it the consequences of its outlook and prejudices. Middlesbrough's experience is bound to be quoted to support the demands for controlling immigration into this country. But before Britain indulges in such a confession of its own intolerance, the story must be looked at as a whole. The Irish and Jewish immigrants over the past century and a half have been as easily identified through their religion, their appearance and their habits, as many West Indians and Pakistanis today: bully boys will always pick on someone when they want to. The point is that the great bulk of public opinion chose to persevere with the long process of assimilation and self-education: there are hopeful signs now of greater tolerance for West Indians in London and the Midlands. It is silly to panic

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at the sight of Cannon Street, or Price Street or Notting Hill: their problems and self-deceptions will not come to an end with an immigration ban.

SCHOOL BUILDING

Clasp for Councillors

THE Estimates Committee's report on school building (HMSO, £1), published on Wednesday, should help to encourage more business-like methods by local authorities in their building projects, and more assistance from the Treasury and the departments, particularly in Scotland, in avoiding wasteful delays and fluctuations in local programmes. Local authorities often suffer after economy cuts when their new programmes are delayed and then put out for tendering at the height of a general building boom. By and large, however, the Ministry of Education deserves approval for its control over both costs and standards in the past ten years. One justified complaint against the Scottish Education Department concerns the rigid definition of minor works (under £5,000); despite the large number of small schools in Scotland, this looks something of an anachronism today. It is also welcome to see emphasis placed on the need for a general examination of maintenance costs.

Progress in rationalising local authority building of any kind comes chiefly from actual example rather than exhortation. The committee, as might have been expected, is enthusiastic about the pioneering work in Nottinghamshire which led to the creation of Clasp (Consortium of Local Authorities Special Programme) in which a group of councils collaborate in both bulk purchase and prefabrication methods. Clasp's members (almost entirely in mining districts) were originally attracted by Nottinghamshire's success in coping with land subsidence: the savings through co-operation are substantial both in costs (averaging 10 per cent) and time. Only a few local authorities with annual programmes running at £5 million or more can make similar savings on their own. There is an optimum number of councils that Clasp itself could handle, but it is high time for ratepayers to agitate for further rationalisation of this kind in building and equipment. The award of the Milan triennale prize for design to a Clasp school should be spurting on the doubters.

Further attention also needs to be given to the adaptability of new school buildings to serve more general social purposes in after-school hours. To keep down the cost of heating and maintenance there is a strong case for particular wings being built with the community centre principle in mind. Swimming pools and playing fields are obvious extensions of this idea. Backward councils should study the report to see just how far behind the times they are lagging.

SCANDINAVIA

Some Go to Market

NOR unexpectedly, the Scandinavian countries are divided in their attitudes to the Common Market. Last weekend's meeting of the Nordic Council's economic committee indicated the different courses each country will steer in respect of the Six and the Seven. Denmark's attitude has been clear all the way. It is dictated by the Danes' trading position. They export more to the Seven, but import more from the Six. Since Britain and Germany are Denmark's chief export customers, her wish to enjoy the tariff reductions within the Six is thus understandable.

Norway is receptive to the idea of entry into the Common Market, but its government is moving with caution. On Wednesday Mr Gerhardsen, the prime minister, once more expressed Norway's concern to ensure some protection for its fishing industry and agriculture. No firm decision will emerge until the matter has been debated by the new parliament after the elections in September, but meanwhile a White Paper is being prepared on the motion of the old parliament. For all the reservations, it is likely to recommend that the government proceed to negotiate for entry into the Common Market.

Sweden remains the odd man out. The statement by Mr Erlander, the Prime Minister, on Tuesday reaffirms the Swedish decision not to sign the Rome Treaty in its present form. (But Mr Erlander repeated that Sweden would like associate membership.) Here, political considerations outweigh economic ones. Sweden's balance of trade is comfortable; it is the traditional policy of neutrality and freedom from entangling alliances that is decisive. There is also a sense of loyalty to Sweden's neighbour, Finland, whose choice is hardly free. The Nordic Council's committee agreed, therefore, that in respect of these problems the member states would have to go their own way for a time. The courses now plotted suggest that two members may soon find themselves regrettably in isolation, which it will be for the European community to find some way of tempering.

SPAIN

Uneasy Slumber

IF it is true, as a Spanish refugee has stated, that "nothing is serious in our country; that is why the least serious ventures always have a chance of success," then the unsuccessful attempt of a Basque resistance group to derail a train early in July may be treated with some gravity. The government of General Franco did so, since it did not announce the news till mid-

August, and then coupled the announcement with the reassuring statement that a number of arrests had been made. A similar respect may be accorded to the statement to *Le Monde* by Don Jaime, Duke of Segovia, which seems to amount to a withdrawal of his previous renunciation of the claim to the throne. Being the eldest son of Alfonso XIII, he said, he has not and could not renounce his hereditary rights to the throne, though his representative also stated, on his behalf, that "juridically, no pretension (to the throne) exists which is not the creation of caprice, ambition and arbitrariness."

The duke's earlier statement, in which he broke with twenty years' abstention from politics, took the form of an open letter to General Franco on August 10th, and was less patently self interested. It enunciated a doctrine which his younger brother, Don Juan, the most prominent pretender to the throne of Spain, might have endorsed. Don Jaime urged the Caudillo to "recognise the sacred right of the Spanish people to choose in the most complete peace and freedom the political regime which will govern them." It was this letter that earned its author the praise of the republican veteran known as El Campesino, who has been engaged in his own epistolary exploits, sending messages to General de Gaulle and M. Debré assuring them of his support in their struggle against the right-wing rebellion in Algeria and its inspiration, General Franco. This same veteran is believed to have instigated the raid across the Franco-Spanish frontier into Navarre, on August 9th, which ended in the arrest of twelve out of the thirteen guerrillas.

These happenings merely underline the present uncertainty of Spain about its future, and the strain this imposes on relations between France and its southern neighbour. Whether or not General Franco will take the hint and make solid provision for the succession remains to be seen. The sleep he has imposed on his country since the end of the civil war is increasingly unquiet.

We offer apologies to two gentlemen with the same name who were confused in last week's issue. The portrait on page 695 was not of Sir Douglas Harkness, the newly-appointed economic adviser to the government of Northern Ireland, but of Mr Douglas Harkness, the Canadian minister of national defence. We hope that this identification will make amends in Ulster and in Ottawa for our lapse.



Sir Douglas



Mr Harkness

NOTES OF THE WEEK

NATIONAL INSURANCE

Twelve Million Benefits

IN any week, the Ministry of Pensions and National Insurance now pays out about 12 million benefits and allowances. The Ministry's annual report (Cmd 1458) records that at the end of last year 3½ million families were receiving family allowances, and that the number of retirement pensioners had risen to over 5½ million. Exactly how many households this latter figure represents can only be surmised, but taking into account the other benefits or allowances, probably about one out of every two households in Britain gets its income supplemented each week from one or other of the Ministry's schemes. In addition, the National Assistance Board at the end of last year was paying out 1,857,000 weekly grants, over a million of these going to retirement pensioners.

The cost this year of the old, in retirement pensions, is expected to be £776 million; the cost of the young, in family allowances, £134 million. A survey of the 3½ million families receiving allowances at the beginning of last year showed that there were just over 9 million children in them,

NUMBER OF BENEFITS IN 1960
(weekly averages or end-year figures)

	Thousands
Retirement pensions	5,563
Families receiving allowances	3,544
Sickness benefits	900
War pensions	724
Widows' benefits and guardians' allowances	570
Unemployment benefits	190
Disability pensions	170
Injury benefits	69
Industrial widows' pensions	19

including the elder or eldest child for whom no allowance is payable. Just over 2 million of these families had two children and therefore received 8s. a week; at the other end of the scale, 112,000 families with five children were receiving 38s. a week and a further 72,000 with six or more children were receiving 48s. or more a week.

This is a remarkably smooth administrative mechanism that Britain has built up to pump out usually rather small weekly sums to enormous numbers of people. What is lacking is a similarly smooth and unpolitical mechanism to re-examine constantly which particular rates should be going up, and which could go down, to deploy this help where it is most needed.

THE PRESS

Ownership in Trust?

MR IAIN COLQUHOUN was the deputy editor of the *News Chronicle* when it closed down; in a pamphlet this week* he offers some suggestions about altering

* A Prosperous Press. Hobart Papers. Published for Institute of Economic Affairs by Barrie and Rockliffe. 5s.

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circumstances in which such medium-circulation papers, appealing to a popular audience, can die even though they still have more than a million readers. Total revenues, from sales and advertising, are static or declining; he thinks that by "slide-rule methods" advertising agencies place advertisements mainly by going for the big battalions; and costs of production are too high.

"The first thing which a really intelligent newspaper industry would do in this country," says Mr Colquhoun, "would be to shed some of its dependence upon advertisers." This is not simply because advertising revenue allows papers to sell for less than their total cost of production; but also because "British papers are far cheaper than those of other countries." "Far cheaper" may put this a bit high: the examples that Mr Colquhoun quotes suggest that allowing for purchasing power British papers are significantly cheaper than many on the Continent, but not cheaper than some in the United States. Some people may feel he takes too little account of the effect of price elasticity—i.e. that increases in price would reduce circulations, at any rate for a time. But he says fairly that had the rise from 2½d. to 3d. a copy come for London popular papers about a year earlier than it did, it might have wiped out the current loss that the *News Chronicle* and *Star* were then incurring.

A significant increase in price, certainly, would be one way of restoring expansion in the revenues of the press, which could re-stimulate competition in the popular newspaper field—though this might not help the weaker papers for long. His idea that if advertising agencies drew their income from fees from their clients, rather than from commissions paid by the newspapers on the value of space booked, this would mean more careful choice of media seems less convincing. Quite a number of agencies do: in any case it is not clear that more careful "media research" would benefit weak papers; it might merely concentrate even more advertising into mass papers that offered the best bargain. Finally, he proposes that the transfer of newspaper ownership should be subject to the consent of trustees, or perhaps a single kind of public trustee. This, he feels, would prevent mergers arising from "nothing more than short-run profit and business ambition." It would also, as he recognises, represent a significant restriction on ordinary rights of ownership; and not everyone will be as ready as he to shrug this off. Anything liable even further to deter new capital from entering this industry, which is already not financially a very attractive one, may weaken rather than strengthen it.

NORTHERN RHODESIA

Natural Brake

TELEVISION drama producers would reject, as too familiar, most of the plot now being acted out in Northern Rhodesia. In outline, it goes as follows: colonial

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subjects demand independence; less than independence is granted; colonial subjects riot; governor declares state of emergency. Almost any viewer could spell out what ought to follow; the next step, as in so many similar cases in the past, is to give the nationalists something better.

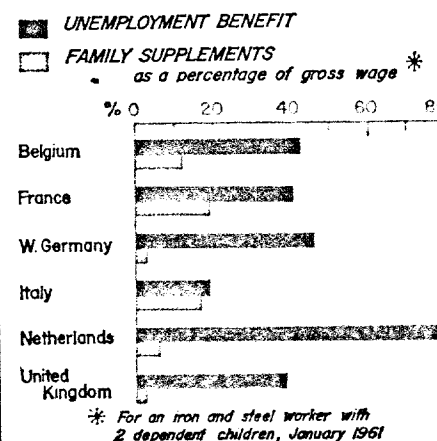
In Northern Rhodesia, the new constitution keeps white politicians in power and, in the resulting demonstrations of protest, sixteen Africans have died in clashes with the police, hundreds have been arrested, schools, shops and houses have been burnt down, bridges have been blown, and road-blocks have been set up. The United National Independence party (apparently less in control of its followers than it has claimed to be) has been prohibited in one part of the protectorate. Its leader, Mr Kenneth Kaunda, has launched a non-violent passive resistance campaign which, so far, seems to have been ineffectual. By denying the possibility of constitutional concessions, the Northern Rhodesian authorities are bolstering the power of less self-disciplined and peaceful-minded leaders than Mr Kaunda.

The objection to the new constitution is that, according to almost everyone's calculations, it makes a victory for the white United Federal party more likely than a victory for anyone else. Small changes in the constitution could turn the chances the other way. If this happened, there would not only be the possibility of peace in Northern Rhodesia; there would also be a

SOCIAL SECURITY

All wage-earners in the common market countries are protected in one way or another, although to varying degrees, against sickness, death, old age and unemployment; they also draw family allowances or survivor's benefit. In the chart two types of benefit are compared in EEC countries and Britain; but EEC wage-rates take the added security benefits into account.

Family allowances granted by the state start only with the third child in West Germany (the amount shown is a family supplement paid by the employer) and the second child in the United Kingdom; they are paid for each child in the other countries.



Source: International Labour Review, August, 1961.

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renewed hope that association, in some form or other, with Southern Rhodesia and Nyasaland could be maintained. One reason why the British Government is slow to make such minor concessions, apparently, is the fact that the military force in Northern Rhodesia—and indeed, all the Central African Federation—is in local white hands; the mention of this has so far been enough to weaken the knees of the Colonial Office. But the existence of this force is not such a strong bargaining counter for the settlers as it looks at first sight; a federation preserved by military repression is unlikely to be a congenial place for the small white minority. Coming to terms with Mr Kaunda and his associates is in the best interests of all races in the federation.

KENYA

United Nationalists

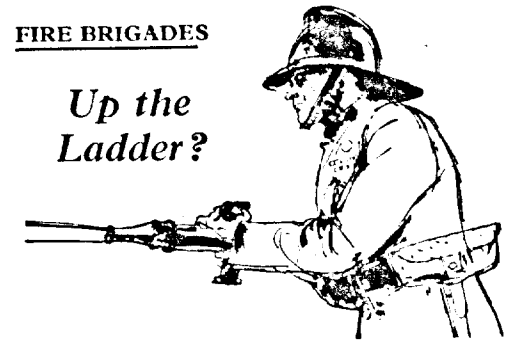
ODDLY like Dr Sture Linner, the head of the United Nations operation in the Congo, Mr Jomo Kenyatta of Nairobi (and, since Monday, of anywhere he pleases, the restrictions on his movement and residence having been lifted) finds himself saddled with the task of bringing nationalist factions together. He spent this week, his first in full liberty for nine years, meeting people and waiting for his courtiers to reach agreement among themselves. It is time they did. Kenya's progress has been held up for more than a year by differences, personal and tribal, between the National Union and the Democratic Union. The absence of a leader possessing national authority—that is, of Mr Kenyatta himself—has partially excused the behaviour of the two parties. But Mr Mboya, Mr Gichuru, Mr Odinga, Mr Ngala and Mr Muliro now have their country and their Kenyatta; and they cannot expect the neighbouring East African nationalists to wait much longer for Kenya.

Fortunately, there were signs this week that the two parties might reach an accommodation. People close to the Kenya government thought it likely that the peace talks designed to bring the National Union and the Democratic Union together may get somewhere. A suggested settlement was that the majority party, the National Union, would accept four ministerial posts. In return the minority party would agree to a constitutional conference this year and general elections in May or June, 1962. For the time being the post of chief minister would be kept open for Mr Kenyatta. Some kind of pledge would be given about European-owned land. Such a settlement would keep the minority Democratic Union in the government (albeit a coalition) for another year. It would also give Mr Kenyatta something to work on: perhaps posts could also be found for some of his former associates who have been conjured up out of the past to enter present-day Kenya politics. Their power, along with Mr Kenyatta's, has been underlined by the

Governor's visit to Mr Kenyatta on Tuesday, and by the anticipated decision to release the remaining detainees and to allow their exiled associates back into Kenya. Mr Kenyatta's return seems to be having the same effect as the United Nations presence in the Congo: both have more work ahead.

FIRE BRIGADES

Up the Ladder?



OF all the public employees pausing in the wages queue after the Chancellor's moratorium, the firemen are among the most strongly and most militantly unionised: their case for a wage increase is not an idle one. Brigades throughout the country are under establishment by a total of 2,000 men, while fire losses—and deaths—rise steadily from year to year. The basic pay on entry is £11 for a 56-hour week (although much of this may be spent waiting for something to happen rather than in actual work). The last improvement in pay and conditions of work in 1955 showed an immediate increase in recruitment and—more important—a sharp drop in the wastage rate. Firemen can point to advertisements for dustmen or traffic wardens promising a higher initial wage than they get: they also remember the rises given to policemen last year to help recruiting.

The joint council for the fire brigades negotiates a national wage rate which is generally uniform for the whole country



Leader (Mr John Horner, right) and member

(although Birmingham, Coventry and London have succeeded in working in small local differentials under various disguises). But now the cat has been put firmly among the pigeons by the proposal of the London

County Council—before the Chancellor's appeal—to pay a further local differential amounting to £4 1s. 6d. more than other brigades; Middlesex offered 32s. 6d. on a similar basis. But these increases have not in fact been paid in the face of union resistance. The union pointed out that some brigades in the London region were even weaker than the LCC one, and that they would be drained of all their men by such a decision: they mustered some Edinburgh firemen who actually said they would move to London if this happened. They also argued that fire brigades often operate in each other's areas, and that it would be anomalous for men facing the same duties and dangers to be getting different rates of pay. No doubt a number of local authorities would like to put up their firemen's wages—if only to safeguard local houses and factories. If they did so it would be a serious breach in the Chancellor's wage front; but it is hard to see what he could do to stop the use of the block grant system.

BRITISH COUNCIL

Challenge and Response

NOW is the swarming season for overseas students to Britain. The next few weeks will see an airlift here of 1,200 Nigerians alone. At London airport, Liverpool and Southampton, British Council couriers are almost daily gathering in young travellers. Of the 50,000 students from abroad getting higher education in this country the Council cares directly for some 9,000 and arranges educational courses for many more. The bulk of those in its charge are from Commonwealth, colonial, African and Asian countries. As more countries obtain independence the number of students grows. So does the problem of housing them. But this task at home of providing for impressionable scholars from countries still in transition is only a facet of a much bigger challenge abroad.

For nearly every student who comes to Britain there are hundreds in his native land who are clamouring for education either in the English language or in technical subjects that are most easily learnt from English textbooks. In response the British Council has refined its general cultural functions to a point where educational service is its main activity. In this guise it has branched out tremendously in India, Pakistan, Nigeria and West Africa. It has opened shop in the Congo, and is going into Senegal and Mali, whose French-speaking people need some English if they are to commune with their English-speaking neighbours. Now that English has become the predominant international language there is simply no end to the places where the Council is invited—indeed, implored—to go.

Here at home the outstanding problem of accommodating overseas students should to some extent be met by the government's grant of £3 million for hostels. The first

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nine projects were announced in the House of Commons by Mr Sandys on August 3rd. One must hope that the commitments abroad are not going to be cut down in the present attack on overseas expenditure. The Council's work took years to recover from the severe budgetary cuts of 1951. But its destiny then was not so clearly marked. Today it is working the richest language mine in the world and was never in a better way to gain friends for this country.

PAN-AFRICA

White Cement

ECONOMIC unity in Africa, if it comes, may well be the result of work done by what Dr Nkrumah, in his recent travelings in communist countries, has called "colonialists, imperialists and neo-colonialists"—in other words, by western Europe. The premier of eastern Nigeria, Dr Okpara, has allowed that Britain's membership of the common market (the one in Europe) may be a good thing, but only if tariffs against produce from Commonwealth countries in Africa are abolished. Almost in answer to Dr Okpara, it was decided by the European Economic Community in Brussels last week that duties on imports of coffee, cocoa and bananas from "outside countries" will be halved.

This still leaves, of course, a wide margin of discrimination against countries not associated with the common market. It remains to be seen whether Britain can persuade the Six to do away with all discrimination

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against the products of Commonwealth countries in tropical Africa, still more whether the United States, with its eye on Latin America, persuades Europe to abolish tariffs on tropical products altogether. But it may become possible for countries like Nigeria and Ghana to choose association, if they wish. If they did, they would share in the aid fund for Africa; enjoy free access to all countries of the common market; and have freedom to protect their infant industries from European competition.

The difficulty, however, is political. The countries of the common market, and their linked territories, will start talks next month on a new form of association between Europe and Africa. A committee of association, a joint ministerial council, and an annual inter-parliamentary session are included in the new grand design. It will be hard to persuade the former British colonies that this is simply a free association between equals; Dr Nkrumah is not alone in being deeply suspicious of any formal arrangement between Europe and Africa. This sentiment is at the root of his distrust of the Monrovia group, some of whose members can (from one point of view) fairly be described as General de Gaulle's client states. The Nigerians are no less aware of this than the Ghanaians, but the Nigerian prime minister is attempting to coax the Monrovians towards a more assertive independence by helping to bolster their economies and their self-confidence, rather than by heaping insults on them as Dr Nkrumah does. If the economic pressure for unification is to overcome these political difficulties, Europe's politicians will have to tread warily.

The Economist

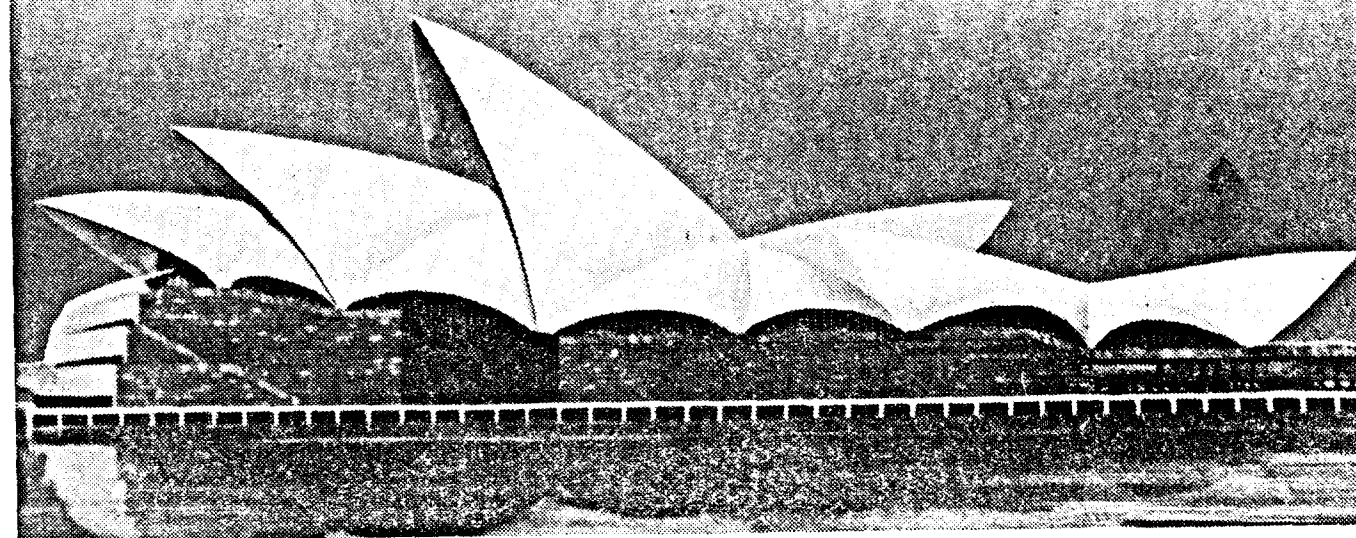
AUGUST 24, 1861

THE RATE OF INTEREST

Some time or other,—how soon we do not venture to predict, and we are not at this moment concerned in predicting,—the trade of the country, both foreign and domestic, will revive so far as to provide for the augmented capital of the country. Experience shows that the inherent energy and mercantile capacity of the industrial classes will soon absorb any probable accumulation of resources. For a moment they may be at fault: they may be harassed by the untoward confusion in America—an anomalous and perplexing result, to which there is no guiding precedent and scarcely an approximate analogy in the previous history of the world. But, in the long run, trading sagacity and trading industry will triumph. Whatever money they can obtain, that money they will employ. When this event shall happen, when the natural augmentation of trade has outstripped the natural accumulation of uninvested capital, then the fall in the rate of interest will cease at once. The producing cause will be no longer in action, and the Bank will not only be justified, but be bound to pause likewise, in its course of reduction. And it may be compelled to pause by a second cause. . . . The effect of the recent high rate of interest was to attract

much capital here from countries in which that rate was much lower. Now that the rate of interest is approaching to the rate of other countries, it is very possible that we shall part with much of this money, and it is very improbable that we shall retain the whole of it. . . . If, therefore, a foreign demand should spring up for the repayment of the capital which we formerly obtained from the Continent by offering very high rates of interest, the rate of interest might again move upwards. The money market is very sensitive and delicate; a little too much will send it rapidly down; a very slight deficiency will cause it to rise just as rapidly. At present the foreign exchanges are extremely favourable to this country, and it is very probable that we shall see more than one reduction in the Bank rate of discount. But it is probable also that the low rate of interest will produce the reverse effect of the recent high rate,—that we shall not retain the whole of the money which we obtained by bidding high for it,—and that, if the improvement in trade, and especially in the domestic trade, should be contemporaneous with a foreign demand, we may see the rate of interest rise again as rapidly as it has lately fallen, and as it at present seems likely to fall still further.

AUSTRALIA TAKES WING



Symbol of the new direction in Australian life, Sydney Opera House is now nearing completion

—and the next ten million Australians will take a big load of power

AUSTRALIA's population has reached the ten million mark. Time now to look to the next ten million. And whether they are born there or arrive on a boat, they'll be joining a nation exulting in new life and strength.

Already the post-war flood of immigrants from Europe has given Australia a broader world view: new citizens with new intellectual contributions to make, different cultural ideas, specialized skills and knowledge. The community has never been more *alive*—healthy, enquiring and full of purpose—as Australia takes wing to wider horizons.

If the Sydney Opera House symbolizes the new direction of living, other monuments now shooting up mark the pulsating economic prosperity which makes this richer life possible—skyscrapers in the cities, new steelworks and, perhaps greatest of all, the huge dams in the Snowy Mountains scheme, bringing the power which is vital to all development.

In a country expanding so vigorously, the importance of electric power cannot

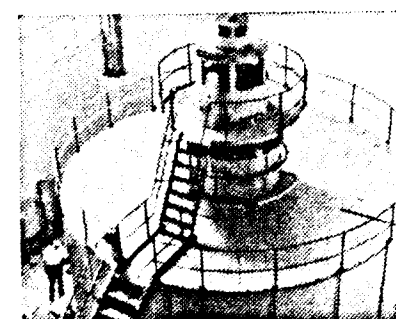
be overestimated. Power consumption is the yardstick of any country's prosperity, and those new Australians, as they join the present ones, will need an ever-growing supply of power for industry, commerce, transport and the home.

English Electric in Australia. In all these spheres The English Electric Company is busy in Australia, providing the means to generate, distribute and use more and more electricity. Hard at work in the enormous Snowy Mountains hydro-electric scheme, English Electric is also building 200-MW generating sets for the Vales Point steam power station on Lake Macquarie; while at Rocklea in Queensland, at one of English Electric's two flourishing factories in Australia, locomotives and rolling stock are being built.

And so the fruitful relationship grows. Australia knows she can depend on the resources of technical knowledge, skill and research which lie behind every contract with English Electric, while the company gains further valuable experience which it can use for work in other countries and at home.



One of five 1,500-h.p. locomotives for the Queensland Government Railways, who also placed repeat orders for twenty-five 1,650-h.p. units with The English Electric Company of Australia Pty Ltd.



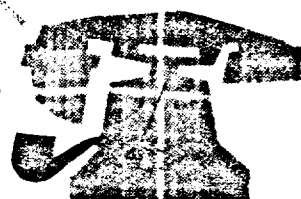
Tasmania's island economy is based on her considerable resources of hydro-electric power. This English Electric 45,000-h.p. water turbine generating set is in the Lake Echo power station.

POWER FOR PEACE

'ENGLISH ELECTRIC'

The English Electric Company Limited, English Electric House, Kingsway, London, W.C.2

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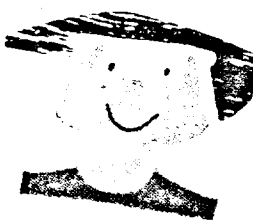
Us, for example. We are everywhere because oil is needed everywhere. Shell companies are local institutions in 130 different countries. The people in them eat, drink, dance, swim, send their children to school, and live amicably with those around them. They know everyone and everyone knows them. And most important of all as far as you are concerned, they know how to live commercially in the local surroundings.

What can we do for you? Well, Shell can provide the usual technical advice—from loading conditions to living conditions. But we can do more than that (in a more informal way). We can sometimes help you establish contacts, guide you to the heart of things, and save you time, money, and nerve-fraying frustrations. When you deal with Shell, you have associates listed in every telephone directory in the world.

YOU CAN BE SURE OF



ALLO—ICI SHELL



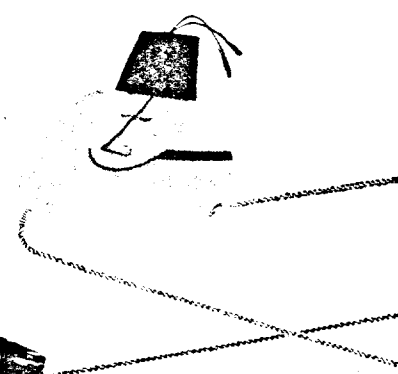
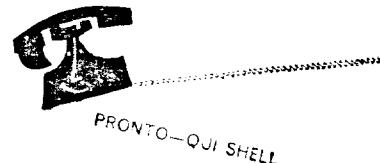
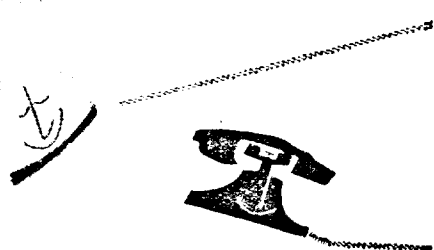
ALÓ—SHELL A LA ORDEN



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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.

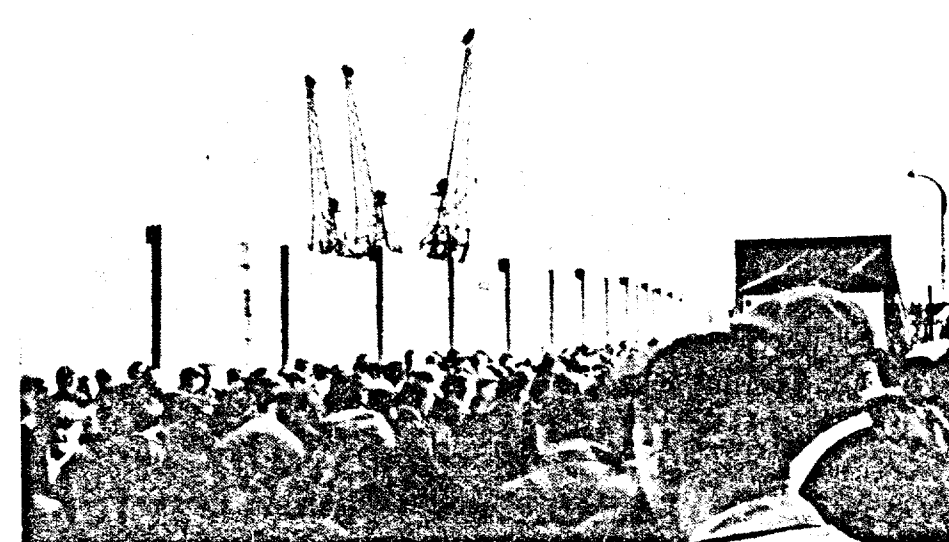
Slack in the Docks

FROM OUR SPECIAL CORRESPONDENT

AT half-past seven in the morning, Lower Road, Rotherhithe—a jumble of old grey back-to-backs and jazzy council flats—is already blue with diesel smoke. Knots of men gather in front of little shops that offer everything from Johnny Mathis discs to "Colonial Boots, 21 shillings": the over-sixties wear cloth caps with mufflers, the over-forties cloth caps with open-necked shirts and formidable leather belts, the under-twenties tight jeans and sharp Italian jackets. Pretty daughters and sisters teeter past to the tube and their jobs behind City typewriters, their tight skirts and smudged eyes typical of their generation anywhere in Britain. But however variegated their clothes, the men are marked out by their occupation as clearly as if they wore a uniform. Conspicuously short, disproportionately broad, their hands battered with work and their eyes quick to suspicion of the stranger, these are England's most powerful and most deeply mistrusted manual workers—the London dockers.

Along a grey wall, the employers are recruiting their teams for the morning's work: but here at the Surrey Docks, as elsewhere on the lower Thames, more than one in ten of the waiting dockers will not be hired. The next chance will come at midday, and for those who live some distance from the dock gates the morning will be frittered away chatting or playing cards over thickly stewed tea in a dingy cafe. Those not hired have to "prove attendance" at the eleven weekly calls, which entitles them to payment of 7s. a time: if they are unlucky enough to earn less than the guaranteed fall-back pay of £7 8s. 6d. in a week, the dock labour board makes their pay-packets up to this amount. What with overtime and weekend work, very few of them are in fact in this position, but a drop in earnings to this level is a very real fear for a docker who in good times may earn as much as £30 a week. In 1947, after years of struggle by leaders like Ernest Bevin, the national dock labour scheme was established "to ensure greater regularity of employment for dock workers and to secure that an adequate number of dock workers is available for the efficient performance of dock work."

Last year port employers in London were complaining that there were not enough men to do the work: the register of dockers, established by the local dock labour board, on which sit representatives of the port employers and of the men's unions, rose to 29,500 in London this year. Since then it has dropped, through retirements and normal wastage, to 28,300; and in a typical week this



Rotherhithe's regulars: the morning call



Symbols of seniority

month 2,786 men were away on their annual holiday. But even so, the average number proving attendance at the call but not finding work had risen to 3,179. As the holiday period ends, the dockers are fearing some really hard times; and the labour board, which pays the men's attendance money and makes up their wages to the minimum fall-back pay from a fund to which the employers contribute a percentage of their total wage-bill, is looking forward to some heavy outgoings. "Security they said it would give us," grumbled a square-set docker, "I call it nothing but a bloody swindle." What, one wonders, would Bevin say?

THE dock labour scheme is, in fact, the subject of virulent attacks from all sides. When times are good the employers cannot get labour; the men, with heavy earnings in their pockets, seem prepared to strike on trivial pretexts—and have twice, disastrously, done so during the past year. In bad times it is the men who are unsure of their prospects; resistance to labour-saving devices reaches a new peak; and the hours of unscheduled idleness provide a breeding-ground for resentment which will find its outlet in yet more labour troubles next time full employment comes round. A succession of inquiries and reports have shown that, within the limits of the possible, the members of the dock labour board arrive at a reasonable compromise between the employers' desire to have a large reserve of labour and the unions' wish to restrict entry to safeguard their members' employment. But tides and trade cycles wait for no man: despite forecasts that the recent strikes would frighten cargo away from London docks, there is no evidence that the position is any better in other ports. The men in Lower Road know that, highly paid one month, they can never be certain of not being poor the next: it is on this account that, clannish and wryly humorous, and never easy to understand, they stoutly refuse to co-operate with those more fortunate than themselves.

Brighton on the Rocks

FROM A CORRESPONDENT
IN BRIGHTON



Not enough in deckchairs

To judge by the steady stream of visitors piling out of the London trains this summer, Brighton's holiday trade might be thriving. Only the absence of luggage larger than picnic hampers and portable radios suggests that there is little in it for local traders and that the most popular ticket is the day return. Brighton, in fact, is desperately short of the old-fashioned holidaymaker who stayed at an hotel, ate in restaurants, and spent his money in the town. The Londoner's family fortnight beside the nearest stretch of pebbly beach is becoming a thing of the past, replaced by trips abroad, tours in the West Country, and a tendency to spend less time in more places.

This year the "vacancy" signs outside Brighton's innumerable guest houses have told their own story. The hotels, although less forthcoming about their business, are in the same position. Increasingly the trade is depending upon one short seasonal peak—the Sussex fortnight. In these two weeks, centred on the August bank holiday racing enthusiasts—a large proportion from the north—converge for the meetings at Goodwood and Brighton itself.

But a fortnight of solid bookings is not enough. Nor can a fairly healthy conference trade (the 4,000-strong Conservative conference will arrive next month) and wind-falls like the Toy Fair make up for the failing holiday trade. Some hoteliers go so far as to forecast that the forthcoming introduction of parking meters in the town will be the last straw for some small hotels and guest houses.

As the paying guests stop coming to Brighton, feeling in the town tends to be directed against the non-spending trippers who still do. The typical tripper's day by the sea has almost become a model of thrift. He is likely to bring his own refreshment and music, and to prefer the shingle to a corporation deckchair. If he spends money at all, it is usually limited to the beach kiosks—which are now barred from cooking on health grounds—or fish-and-chips on the upper promenade. The hundreds of touring holidaymakers who

sleep in their cars along the seafront, emerging at breakfast time to cook bacon and eggs over primuses on the pavement, are all customers lost to the hotels. The only part of the town which seems to benefit from the shoestring trend is the municipal camping ground at Sheepcote Valley, which happens to be doing very nicely.

The increase in day-trippers this summer has been accompanied by a rise in vandalism. Seafront shopkeepers have asked for extra police protection for their premises. None of this helps to ease the town's worries.

Can Brighton regain its lost prosperity? The feeling is that it must break with its tripper tradition and aim at a more affluent class of visitor. The town's two largest



SITUATIONS VACANT

Continental Drift

FROM A CORRESPONDENT IN BELFAST

ARTICLE 48 of the Treaty of Rome, which concerns the free movement of workers within the European community, is already, in a way, operating for some Ulster people. Representatives from the Fokker Aircraft Corporation in Amsterdam have been in Belfast in search of 100 skilled machinists, sheetmetal workers, fitters and other types of aircraft tradesmen. The deputy personnel officer of the company interviewed nearly 300 redundant skilled workers in Belfast last week, offering them good jobs in Holland, with wages about equal to those they have been used to, boarding house accommodation for single men, houses for married men with families, and two paid vacations a year. The men that have been accepted have been offered permanent security—the Fokker corporation says it has enough orders to keep it busy for five years—and there will be no language difficulty because more than half the Dutch employees speak English.

Firms in west Germany have also sent representatives to Northern Ireland in

THE ECONOMIST AUGUST 26, 1961

hotels, the Grand and the Metropole on the seafront, are both acting on this assumption. It is probable that the Grand will be pulled down and replaced by a new luxury hotel on a corner of the Kings Road redevelopment area. The Metropole has already gone ahead with a £500,000 scheme of modernisation and improvement.

The focal point of Brighton in the future will inevitably be the key 16-acre redevelopment area on the seafront. This multi-million pound scheme has now been approved by the town council. It includes a giant entertainments building, with a 1,000-seat restaurant-cum-conference hall, a bowling alley and a dance hall; blocks of flats rising to 30 storeys; and a shopping patio to replace part of the main shopping centre in Western Road.

The new director of entertainments and publicity, Mr George Hume, considers that the town must "turn respectable." He is a former administrator of the Shakespeare memorial theatre at Stratford and, with this in mind, strongly supports the idea of a Brighton festival on the Edinburgh model. He argues that a first-rate arts festival could draw 20,000 people a day for three weeks and set the town up as a holiday resort for the rest of the year.

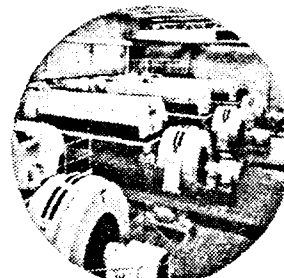
Although this has the backing of entertainment interests in the town, the local imagination still finds it difficult to visualise a Brighton divorced from sticks of rock and saucy hats. The town council will certainly take some considerable persuading before it agrees to subsidise such an ambitious project.

search of labour. An advertisement in the Belfast newspapers last week by a German electrical company offered well-paid employment to girls between 18 and 35. They will be provided with training, fares paid to Germany and back, health benefits, language classes, good wages, and modern hostel accommodation. Apparently the idea is to train these women workers in Germany and then send them back to Ireland where they would be employed in German-owned industries.

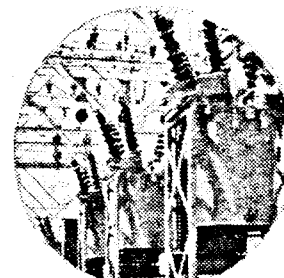
This particular firm has been interviewing prospective employees in the Republic as well as in Northern Ireland. The first batch of Irish girls to join will fly from Dublin on Monday. The Verolme Shipbuilding Company at Cork continues to send young Irishmen for a nine months' training period in Amsterdam.

The Irish response to these continental offers has been more encouraging than that of the Clydeside shipyard workers. So few Scots applied that the German shipbuilding firms concerned withdrew their offer.

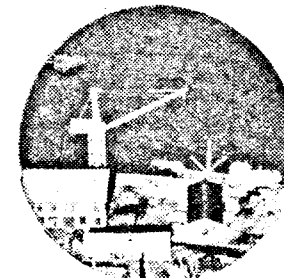
THE ECONOMIST AUGUST 26, 1961



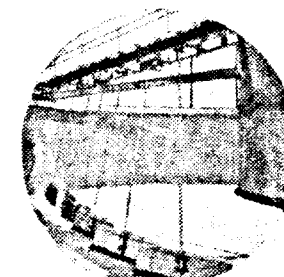
Power Stations



Electrification



Harbour Installations



Sewage Plant

Automation with Muscles!

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installations, radio telescopes, automatic railway control equipment, automatic warehousing, automated manufacturing plant and telemetry applications. This is "Automation with Muscles". Hawker Siddeley Engineering will engineer and develop any of these schemes, with or without automatic and or remote control. We have representatives throughout the world. Please write for further information.

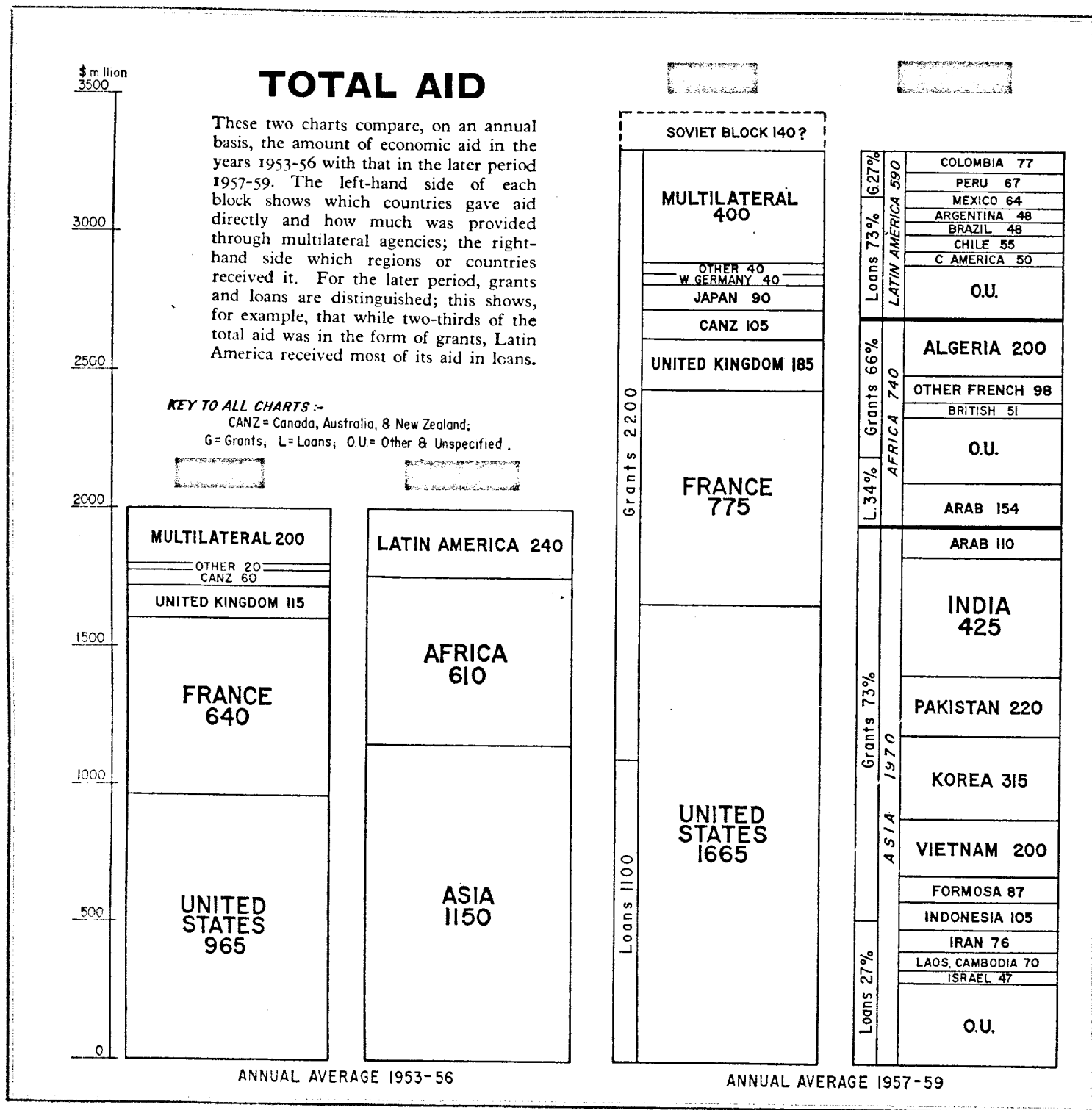
HAWKER SIDDELEY ENGINEERING

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AID IN PERSPECTIVE

On this page, and the next two, an attempt is made to put together a picture of the flow of economic aid to under-developed countries in recent years. A conference on aid and development is being held at Oxford next week by the Council on World Tensions and the Overseas Development Institute.

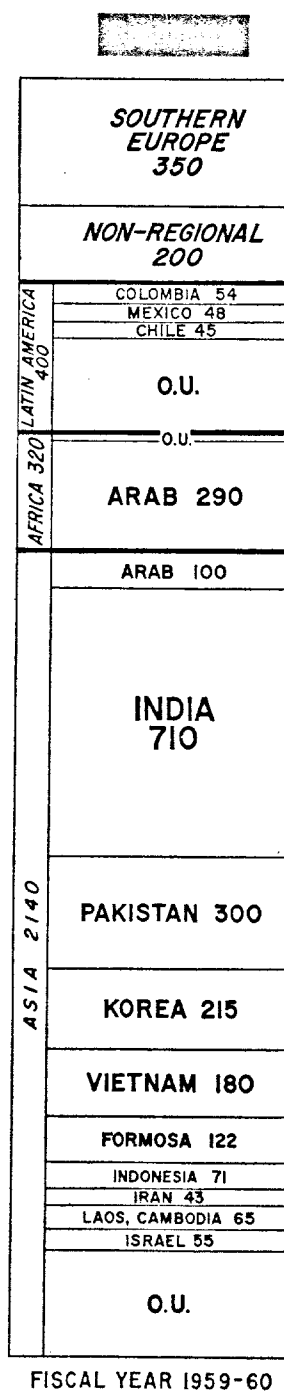
Figures in all charts and tables, unless otherwise stated, are annual averages for period shown, are in \$ million, and refer to actual disbursements, not to commitments.



US AID

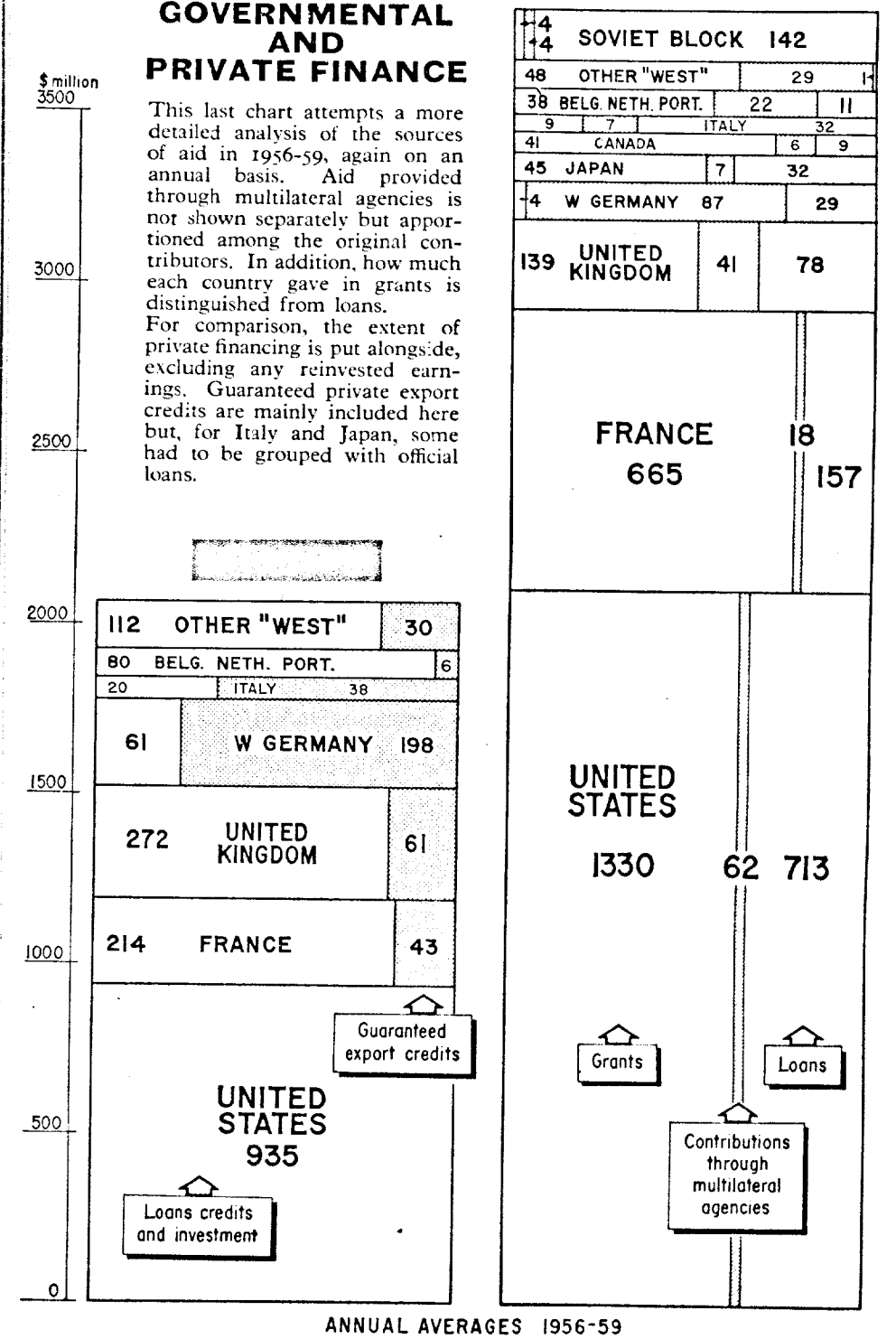
A more up-to-date picture is available of the commitments of the United States to overseas aid. This chart shows, for the fiscal year 1959-60, how such commitments were distributed, both regionally and to individual countries.

This chart is on the same scale and comparable with those on the opposite page.



GOVERNMENTAL AND PRIVATE FINANCE

This last chart attempts a more detailed analysis of the sources of aid in 1956-59, again on an annual basis. Aid provided through multilateral agencies is not shown separately but apportioned among the original contributors. In addition, how much each country gave in grants is distinguished from loans. For comparison, the extent of private financing is put alongside, excluding any reinvested earnings. Guaranteed private export credits are mainly included here but, for Italy and Japan, some had to be grouped with official loans.



NOTES

The principal sources of the data are given on the next page. Available figures are inadequate in many respects. There is not even any agreed definition of what exactly constitutes aid, and information obtained from donor and recipient governments is often incomplete and sometimes incompatible. Figures taken from the sources cited have been adjusted where it seemed necessary, e.g., to make them more directly comparable with one another.

Some apparent discrepancies can be simply explained. The 1956-59 figures, for instance, relate to calendar years, the others to fiscal years. The figures adapted from the United Nations report, cited overleaf, do not cover aid to under-developed European areas, e.g. in Spain and Yugoslavia.

Reliable figures for actual disbursements of aid from communist countries are almost wholly lacking; the estimates shown here are slightly more generous than those commonly cited.

AID IN PERSPECTIVE

All figures, unless otherwise indicated, are in \$ million, and are annual averages.

MULTILATERAL AID

Where it comes from

Contributions to World Bank 1956-59

	Public	Private
USA	—	136.5
W. Germany	109.7	15.5
UK	41.0	8.5
Switzerland	9.9	21.2
Netherlands	7.0	19.5

All advanced countries ('West' and Japan)	212.5	228.2
All countries	228.5	228.7

Subscriptions to International Finance Corporation 1956-59

USA	8.8
UK	3.6
France	1.45
Canada	0.9
W. Germany	0.9
Netherlands	0.75
Japan	0.7
All advanced countries	20.0
All countries	23.85

Contributions to UN Technical Assistance Programme and Special Fund, 1958-59

USA	18.2
W. Europe	14.3
Australia, Canada, New Zealand	3.9
Africa, Asia	2.8
Latin America	2.3
Soviet block	2.1
	43.6

Multilateral (UN) Aid Received, 1957-59

	World Bank disbursements (effective)	IFC commitments	UN Technical Assistance, Unicef, Special Fund, etc.
India	142.0	1.2	6.5
Iran	24.5	0.15	2.3
Pakistan	17.1	0.7	1.4
Thailand	7.1	0.15	1.1
Indonesia	—	—	1.9
Burma	3.8	—	1.7
Total Asia ..	205.9	2.2	27.4
Rhodesia and Nyasaland ..	9.4	—	0.05
Sudan	7.25	—	0.6
Congo	4.7	—	—
Total Africa ..	22.65	—	8.55
Mexico	10.25	0.55	2.75
Colombia	8.8	—	1.45
Chile	7.75	2.3	0.6
Uruguay	7.3	—	0.2
Brazil	5.45	3.55	1.3
Total Latin America ..	64.25	6.8	16.15

GOVERNMENTAL AID Provided by:

FRANCE, 1958*

By appropriations	By disbursements
Algeria & Sahara ... 324	Current expenditure: 98
Overseas Departments 41	Algeria & Sahara ... 37.7
Community States & Overseas Territories 308	Community States & Overseas Territories 221
Morocco & Tunisia ... 106	Morocco & Tunisia ... 116
Other	Other
	40
	474
	Development expenditure: 147
	Algeria & Sahara ... 147
	Community States & OT
	175
	Other
	102
	less Repayments .. 41
Development	
Current	
	(net) 384
	790 Combined total (net) 858

Sources: For appropriations, UN report; for disbursements, UN and OEEC reports.

* Excluding aid through multilateral agencies.

UNITED KINGDOM, 1957-59*

Dependencies:	Grants	Net Loans
African	37.7	9.2
Asian	3.3	1.3
Mediterranean	36.5	—
W. Indies, Guiana ..	14.3	9.7
Commonwealth:	0.8	26.3
India	10.9	0.1
Malaya	—	—
Ceylon, Ghana, Pakistan	2.2	0.5
Other countries:	2.8	1.4
Jordan	10.8	0.2
Libya	19.2	—4.3
Regional and other ..	—	—
	138.8	44.4

Source: UN report

AID TO INDIA AND PAKISTAN

TO INDIA

Disbursements 1956-61 (Second Plan)	Commitments 1961-3
USA	355
UK	43
W. Germany	40.5
Canada	28.5
Japan	15
World Bank	105
Other 'West'	14*
	601
Communist countries ..	63
	664
Estimated Plan outlay on development:	1,125
Official	2,015
Total	3,020

* Including: Australia, New Zealand, France, Norway, 4.5; Ford Foundation, 3; UN programmes, 6.5.

† Including: France, 15.

‡ Including: UK, Australia, New Zealand, Norway, 4.1; Ford Foundation, 2; UN programmes, 1.4.

§ Including: W. Germany, 31; UK, 21; Japan, 20; France, 5.

¶ Excluding US surplus programmes (PL 480) and Indus Waters programme.

TO PAKISTAN

Disbursements 1957-9	Commitments 1960-2
USA	180
Canada	17.5
World Bank	15
Other 'West'	7.5†
	220
Estimated Plan outlay on development:	485
Official	250
Total	450

HOW MUCH GIVING AND RECEIVING

Aid provided as percentage of donor countries' gross national product: 1957-59

France	1.39
USA	0.38
Japan	0.32
Australia	0.30
UK	0.29
Netherlands	0.26
Canada	0.18
New Zealand	0.18
W. Germany	0.14
Belgium	0.11
Sweden	0.01

Source: UN report.

Aid received* per caput by certain recipient countries: 1957-59

Jordan	\$ 36.30	Pakistan	\$ 1.91
Libya	31.64	Burma	1.59
Israel	24.61	Afghanistan	1.54
Korea	14.13	Indonesia	1.24
Formosa	9.14	Sudan	1.24
Bolivia	8.52	Brazil	1.05
Chile	7.69	India	0.74
Colombia	5.83	Iraq	0.58
Iran	3.92	Ethiopia	0.43
Ceylon	2.30	UAR (Egypt)	0.41
Mexico	2.04		

* Soviet aid not included.

Source: UN report.

SOURCES

The principal sources used on this page and the two previous pages are, for 1953-56 and 1957-59 figures, the United Nations report on "International Economic Assistance to the Less Developed Countries" (1961); for 1956-59 figures, the recent OEEC publication "The Flow of Financial Resources to Countries in Course of Economic Development, 1956-59"; and publications of

the governments of the United States, France, United Kingdom, India and Pakistan. Figures for aid exclude military aid, private financing, grants from non-governmental foundations (except in the detailed figures for India and Pakistan), consolidation credits, IMF movements, withdrawals from sterling balances accumulated in wartime, and postwar reparations and indemnification payments.

AMERICAN SURVEY

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

Reluctant Philanthropists

WASHINGTON, DC

PRESIDENT KENNEDY has not yet met his Waterloo over the foreign aid Bill, but in terms of foreign policy, personal prestige and congressional influence he is throwing in his last reserves. The outcome will turn on whether he can induce Congress to have second thoughts on a formula for long-term financing which is not understood by one in ten thousand Americans, including some of those in Congress. Both Houses have once again passed Bills authorising another year of foreign aid—military assistance, grants and loans for economic purposes and all the rest—though the Senate cut the President's request for \$4.8 billion back to \$4.1 billion and the House of Representatives to \$4.4 billion. But the crucial issue is whether the President is to get an advance appropriation for future years without being required to subject it to an annual scrutiny and an annual trimming by Congress; this means that he must be given not a mere authorisation to spend without any actual money being provided but a fixed sum (he asked for \$8.8 billion, \$1.2 billion of it for this year) to be put at his disposal by the Treasury to lend abroad in stated amounts and ways each year over a period (the \$8.8 billion was to last for five years for loans only). Last week the Senate, though it chopped something off the sum and tied on a few strings, said "Yes": but notwithstanding a stream of telephone calls from the White House, the House of Representatives voted "No."

Selected members of the foreign policy committees of both Houses are now meeting to agree on a common Bill. President Kennedy has lost on the floor before this, only to win back most of what he wanted from the joint conference (notably on the minimum wage Bill). But this will be his severest test yet. Despite the spectacular failure of his supporters in the House he has first to induce the conferees to put in the compromise Bill the principle of long-term financing by borrowing from the Treasury; here the choice of conferees favours him. But then he has to win enough additional votes in the House to get the new Bill accepted there—to reverse the effect of Representative Saund's amendment which lays down positively that foreign aid must be appropriated annually after the usual procedure of hearings by, and justification of the expenditure to, the Appropriations Committee. True, the Saund amendment won by only 197 to 185 votes—but the whole tenor of the debate in both Houses shows that it will be hard to reverse it. The Administration assumed that Russian aggressiveness and the Latin American Alliance for Progress would propel the Bill through Congress (as the situation in Cuba put through \$600 million of Latin American aid earlier). Also the Administration was mesmerised by its succession of narrow congressional victories into thinking that even an unpopular clause in an unpopular Bill could be squeezed through if the President demanded it persistently enough.

The White House miscalculated on three points. The first of these was that the House Committee in charge of the Bill is one

of the most poorly-manned; ambitious and able Congressmen prefer to serve on committees whose decisions affect their constituents directly, rather than negatively as does the Foreign Affairs Committee. Its members fumbled the ball at the critical moment. Another was that even with the President pulling out all the stops, the Bill needed to be brilliantly presented. Yet the International Co-operation Administration failed to supply the Bill's champions with the success stories that alone could have offset the allegations of waste and corruption cited by its opponents. But most important of all, the Administration was wrong about the effect of the Russian successes. The House is genuinely close to American popular prejudices; it sensed the growing suspicion in the country that these successes might be proof that foreign aid is ineffective, as well as wasteful and burdensome.

The loss of Cuba or Laos to the Soviet orbit, the tendency for other countries like Brazil or India to lean leftwards, the stories of corruption in the ruling classes of Latin America or Asia, have all nurtured doubt rather than a sense of urgency. The State Department's argument that aid achieves its purpose even if it only keeps moderate, although left-leaning, governments going does not convince grass-roots Americans. As one Congressman put it inelegantly: "The people of the United States are tired of being taxed to subsidise every country in the world whether they kick us in the teeth or not."

THIS sense of being taken for suckers ties in with Congress's misgivings that its constitutional control over finance is being progressively filched by the Executive: that "backdoor spending," like George III's power, has increased, is increasing and ought to be diminished. In the Senate Messrs Byrd's and Hickenlooper's attempt to nullify this encroachment was no sooner foiled than the Dirksen amendment was accepted. This requires that even foreign loans financed by borrowing from the Treasury, if they exceed \$5 million, must be delayed for thirty days to give Congress an opportunity to veto them. Further, Senator Fulbright was forced to appease suspicion by declaring that Congress retained the sovereign right to terminate the five-year appropriation and the unspent balances at any time and that it possessed adequate investigatory powers already under the rather obscure Government Corporations Control Act.

All this, and more, fell on deaf ears in the House. When the Administration cut its obvious losses by retreating to a request for an advance appropriation for only three years instead of five, the opposition leapt in first with the wrecking amendment which bears the name of Mr Saund, a disgruntled Democratic Congressman of Hindu origin from California, who is merely a front-man for the newly reknit coalition of Southern Democrats and Republicans which voted solidly for annual appropriations. Only six liberal Republicans stayed with the President after a floor count. The Administration did not dare to insist on a vote counted by tellers lest defeat were turned to rout—and this was wily, since in conference it can now be argued that the House was in an emotional state when it voted and did not really mean to do it.

The result has plunged the agencies operating foreign aid into gloom. They had been caught up in the prevailing optimism over the Bill and now find themselves in the awkward position of having already made a two-year commitment of \$1 billion to India

with further large sums promised to Brazil and Pakistan which they are trying to keep secret. Mr Dillon's vaster, if vaguer, forward commitments to Latin America drew the wrath of the House down on his head, a wrath that will fuel Castroist propaganda for months. Even to cut the five-year appropriation to three is seen as disastrous by the foreign aid experts.

The Administration is demanding long-range five-year plans for balanced economic and social reform and investment from the "lesser developed countries." This should ensure the greater efficiency on which Congress is insisting but on the self-help principle this also requires these countries to make large forward commitments too. However this can hardly be stipulated if the House on its side will only allow indefinite advance authorisations for aid—which may well be all that is in the final Bill—with every actual appropriation being cut and cut again by the penny-wise Appropriations Committee. In these circumstances any country with a five-year plan risks finding itself stranded with half-built dams or factories, industries operating below economic levels for need of raw materials or spare parts and unpaid bills to suppliers, all for lack of the necessary foreign exchange. As one official vainly told Congress: "We are still tackling twenty-year problems with five-year plans staffed with two-year personnel working with one-year appropriations." Yet Congress certainly does have a legitimate complaint.

The attempt to reduce its power of the purse-strings, which the Bill was designed to do, was unavoidable because twentieth-century realities clash with eighteenth-century shibboleths. But here the President's prestige is involved vitally—as his desperate public appeals show. The world will interpret a defeat in Congress as a vote of no confidence in his programme and particularly of no confidence in a realistic policy towards the uncommitted countries. And a defeat will undermine the President's painfully-built hold over Congress. The reactionaries have tasted blood but Mr Kennedy will avoid a Waterloo if he can. If he gets only a two-year appropriation out of the sullen House, he will claim a virtual victory and go patiently to work to build on that. If he gets only one year, he will withdraw in good order as Wellington so often did. Mr Kennedy shares several qualities with the Iron Duke.

A Texan Goes to Berlin

THE Vice President of the United States, Mr Lyndon Johnson, was sent to Berlin last week-end because he is the next best thing to the President and because no American official of such high rank had visited the city since the war. But since his task was to reassure the West Berliners, resentful at the slow allied reaction to their latest crisis, to convince them that they were not forgotten, to check an incipient panic that might have sent them fleeing west in their turn, it was helpful that Mr Johnson came from Texas and was a typical son of the Lone Star State. For Texans specialise in energy, self-reliance, independence and defiance—of the rest of the United States in their case—and these were just the qualities the Berliners want, at this moment, to see in their friends. Moreover he is a politician, experienced at enlisting sympathy on his side, and the theatrical methods which succeed so well at home succeeded in West Germany too. It was not the shower of ball-point pens inscribed with his name and of gilt-edged tickets to the United States Senate which won over the Berliners but his genuine concern for their unhappy situation. The seal was set on his popularity when the convoy of 1,500 extra American soldiers arrived to strengthen the city's garrison and the Vice President left Berlin with his morale-building task accomplished brilliantly—for the moment.

But in Washington there is some concern that he may have accomplished it too brilliantly. Texans also specialise in rashness

and over-confidence and some of Mr Johnson's emotional promises to the West Berliners went farther than some experts think wise. And the promises were made in the name of the President and people of the United States. It may not be long before the Berliners need reassuring again and then it may be difficult to satisfy them without some retaliation against communist pressure more drastic than mere words. In particular they may be bitter when the allies start negotiating with the Russians, something that is expected in the near future in Washington. How Americans themselves, and their representatives in Congress, may react to these negotiations, and especially to any concessions that may be made during them, is also uncertain. Many of them are becoming truculent as they see the Russians apparently scoring all along the line. But at least negotiations, like Mr Johnson's dramatic flight to Berlin, are a way of winning time, of postponing and perhaps avoiding a final clash with the Russians. And to do this is President Kennedy's patient purpose during the "difficult weeks and months" which he sees ahead.

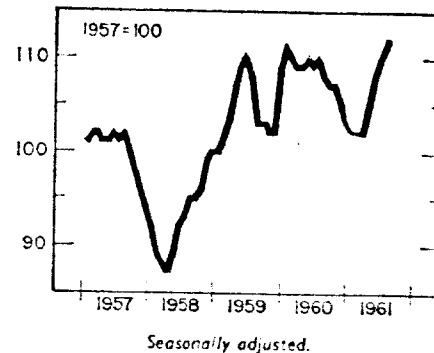
No Jets to Moscow

ALTHOUGH the Administration thinks it unwise, at this stage, to impose economic sanctions on either East Germans or Russians, it does not feel that the time is appropriate for establishing a new economic link with the Soviet Union by opening a direct commercial air service between New York and Moscow. So for once it is Americans, not Russians, who are refusing to sign an agreement. On again, off again since 1958, depending on the temperature of the cold war, negotiations were finally opened in July and all but a few details such as radio frequencies, maintenance, operational standards—and fares—were settled in the remarkably short time of three weeks. The twice-weekly, non-stop service was to be started next spring by Pan American World Airways and Aeroflot; at present passengers have to change aircraft somewhere in Europe if they wish to fly between New York and Moscow.

One reason why the negotiations went so smoothly is that there is at present no suggestion that either airline should go beyond these terminal cities, although it is presumed that the Russians would like to fly to Cuba and other Latin American countries and Pan American would certainly like its route to Japan to go across the Soviet Union rather than the much longer way round which it now follows. The hope that permission to fly over Siberia may be granted one day explains why Pan American is ready to undertake a service on which it expects to make little profit; direct flights may, however, encourage more American tourists to go to Russia and, perhaps, more Russians to come to the United States. It is suggested that the Russians wanted an agreement both because of the prestige of having their aircraft land regularly at New York and because the service would provide their pilots with experience

In July the output of America's mines and factories broke all records. It is only five months since the recent recession touched bottom—a quicker recovery than ever before, which shows also in the final figures for the gross national product in the April-June quarter. This rose by \$15.3 billion from the previous three months, to an annual rate of \$516.1 billion, also a record.

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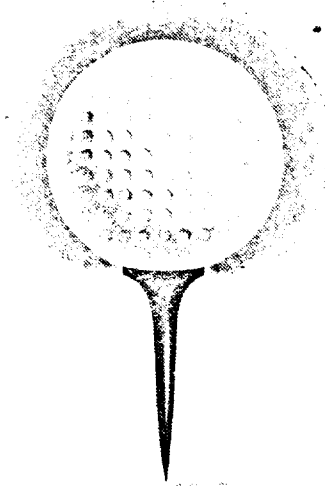
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The other paradox about this agreement with a country which is practically an enemy is that it was reached without difficulty at a time when similar bargaining over bilateral air services with allied countries—Holland, Scandinavia, Britain, Italy, Japan, India—has broken down almost completely and is giving rise to serious friction. This is either because these countries are trying, as the Russians did not, to get permission to extend their flights—the Dutch and Italians to Los Angeles, the Japanese to New York and across the Atlantic, the Indians across the Pacific—or because the Americans are trying to make these rival airlines reduce their services to the United States. This situation is the result of the increased competition in the air, particularly on the North Atlantic routes, where larger aircraft, more services and fewer passengers have meant financial difficulties. The two American transatlantic carriers complain in particular that the Dutch KLM and the Scandinavian SAS schedule more flights than the demand warrants and that they are picking up more than their fair share of transatlantic passengers from the other countries which they serve. Sympathetic American aviation officials are showing growing signs of protectionist tendencies, particularly in their reluctance to make additional air rights available in the United States to other countries unless American airlines get some very worth-while concessions in exchange.

Untranquil Drugs

SENATOR KEFAUVER, who as chairman of the Senate's anti-trust and monopoly subcommittee is becoming an old hand at leading the Justice Department to its prey, has scored another tentative victory. Last week a grand jury in New York charged three of America's largest pharmaceutical manufacturers (and their top officers) with conspiring to maintain excessively high prices and to monopolise the manufacture and distribution of the so-called "wonder" drugs. The companies involved are Charles Pfizer & Company Incorporated, the American Cyanamid Company and the Bristol-Myers Company (two more firms have been mentioned as co-conspirators) and the three products named are all in the tetracycline group. Retail sales of these widely-used antibiotics are running at about \$250 million a year and the Justice Department claims that the accused are responsible for nearly three-quarters of this business.

It is nearly two years since Mr Kefauver scandalised a pill-swallowing public with the news that the drug industry is not only callous enough to make profits out of its invaluable services to mankind but that these profits have for years been about double those for manufacturing generally. Most Americans are now convinced that drug prices are inflated by excessive advertising expenditures and profits, even though the industry has taken pains to draw attention to its large investment in research which does not always show results. Both the Federal Trade Commission and the Food and Drug Administration have been taking a very close look at the industry with a view to tighter controls over advertising claims and labelling, but Mr Kefauver is urging Congress to go a good deal further. He has proposed that the companies should operate under licence only; that the FDA should not only pronounce on the safety of a drug (as it does now) but on its efficacy; that the life of patents on new drugs should be shortened from the present 17 years to three (with an 8 per cent royalty for the remaining 14 years); and that the FDA should give simple generic names to new drugs so as to discourage doctors from referring in prescriptions to the trade names promoted by the leading companies.

Both the pharmaceutical companies and the American Medical Association look upon such government intervention with great disfavour. The latter body has argued that the doctor alone should decide on the efficacy of a drug and that the substitution of generic

for trade names would do no more than shift the emphasis in promotion from the doctor to the chemist who makes up the prescription. The Administration would like to see more regulation of the pharmaceutical industry but its proposals, when they come, are likely to be somewhat milder than Mr Kefauver's prescription.

Lessons in Politics

WHEN, last May, a New York rat emerged from the skirting of a Harlem school-room as the Mayor paid his official call (with the usual bevy of newspapermen in tow), the way the city runs its huge school system became a leading battleground in this autumn's mayoral election. The spotlight of publicity soon shifted from the rats (who, it seems, put in a fairly regular attendance in some of New York's less favoured schools) to the dilapidated state of the school buildings generally; even those built in the last few years are showing signs of imminent disintegration. To top it all, a hasty check by the city investigator revealed that many of the people in charge of building and maintenance had been in the habit of accepting small donations from contractors. The latest move in the drama came last week when Governor Rockefeller summoned a special session of the State Legislature to pass an emergency measure abolishing the present Board of Education (a voluntary nine-man body appointed by the Mayor which presides over the city's school system) and laying down the rules for the appointment of a new one.

New York City provides schooling (free of cost) for about a million young residents and operates nearly 900 schools. The annual cost amounts to some \$650 million, of which the state provides a third. In the past New York's schools have had a fairly good reputation as big city systems go, but over the last few years their administration has come in for heavy criticism and the State Commissioner of Education, in particular, has been pressing hard for reforms. A succession of special studies has pointed out that the system is in danger of being strangled by excessive red-tape at the centre; that the board inevitably has more political than professional loyalties; that the 54 local school boards, which should serve as a link with the communities they serve, are virtually defunct; and that a Republican-controlled State Legislature has thwarted the Democratic city's attempts at self-improvement.

But there can be no doubt that the timing and intensity of the present uproar are politically inspired. In this autumn's mayoral election, Mr Wagner's bid for a third term is being opposed not only by a Republican, Mr Lefkowitz, but by two fellow Democrats, all of whom are making as much capital as they can out of the school issue. Mr Wagner has thus been trying, somewhat unsuccessfully, to keep ahead of state officials and his rivals in the city in exposing corruption and inefficiency, while at the same time hiding as many skeletons as possible in the cupboard until after the election. In summoning a special session of the Legislature Mr Rockefeller, too, has been accused of being more concerned with promoting his candidate for Mayor than with the scholastic fate of New York's schoolchildren; the Democratic members were highly suspicious of the motives behind the emergency Bill, but in the end most of them felt bound to join their Republican colleagues in voting against corruption, and against the Board of Education.

Goliath in Bonds

NEW YORK

THE business of raising capital for state and local governments by the sale of tax-exempt bonds has long been dominated by Wall Street's established investment houses and the big banks. But now this procedure has been shaken up thoroughly by last week's award of a \$100-million Californian issue for school build-

Continued on page 798

Status Quo on the Farm

WASHINGTON, DC.

THIS month's wheat referendum, an annual formality in which thousands of wheat farmers ratify the programme devised for them by Congress, will reaffirm once again the *status quo* in American agriculture. The farm Bill passed earlier this month by Congress makes no real change in the method of subsidising the farmer which, since the last war, has produced the triple problem of massive surpluses of grains, steadily rising government expenditures for agriculture and incomes for farmers well below those of their fellow citizens.

Mr Orville Freeman, the Secretary of Agriculture, and his publicists are proclaiming loudly, perhaps a bit too loudly, that the new Bill is the most significant piece of farm legislation since 1938 and a real beginning to the end of the agricultural dilemma. The Bill does seek to curb surpluses by requiring a reduction in the acreage planted to wheat in the coming crop year and tries to raise the income of wheat growers by pushing up subsidies. At the same time it extends through the 1962 growing season a similar programme for maize and other feed grains enacted by Congress earlier this year for 1961 only. Furthermore the fact that the Bill has been passed at all ends the deadlock between the Agriculture Department and Congress which blocked any farm legislation whatever during the final years of the Eisenhower Administration.

But the measure is but a pale shadow of the complete overhaul of the farm programme promised during his election campaign by President Kennedy. The basic ingredients and the basic contradictions of the old system are retained by the present Bill. Production is controlled not by regulating the amount to be sold but by limiting the acres to be planted, a hopeless approach when busy scientists are constantly increasing yields an acre. The farmer then disposes of his excess production to the government at an artificially high price through the fiction of price support "loans" that really amount to sales.

For all the breast-beating in Congress over the inefficiency and waste of this system, the latest farm Bill demonstrates once again that legislators simply will not pay the political price of adopting a new plan whether

it is the one proposed by Mr Freeman or the diametrically opposite one futilely advocated by his Republican predecessor, Mr Benson. The Freeman system, called "supply control" by the theoreticians at the Agriculture Department, would enforce controls on farm production and reduce output enough to drive prices up in the market place and end the need for government supports. The Administration's experts believe that the jump in food costs would be relatively painless but the strict regulation of farm output which would be involved would mean that Congressmen could no longer pay lip service to the myth of a free and unregulated agricultural economy, a psychological and political price far too great for them.

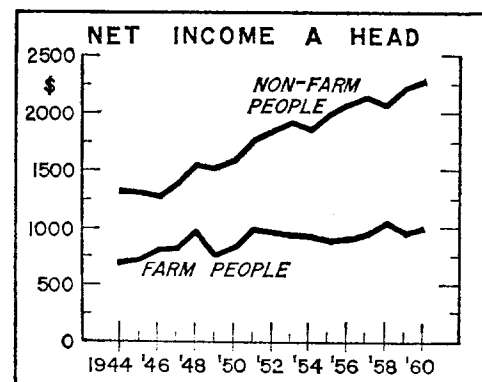
The ultimate and unfulfilled goal of Mr Benson's eight dreary years at the Agriculture Department was quite the opposite. Featuring a gradual end to all subsidies and controls on production, his plan would have forced small, marginal farmers out of business; as production then tapered off, farm prices would have climbed gradually. But this solution too was intolerable for a Congress that adheres to the Jeffersonian concept of the independent yeoman as the backbone of a democratic society.

Like Mr Benson's programme, Mr Freeman's proposals sought their goal by indirect means. He wanted to establish a complicated procedure under which he, as Secretary of Agriculture, would have had the basic responsibility instead of Congress for devising plans for controlling the various farm commodities. Another key provision in the Administration's programme called for extending to all crops, and even livestock, the use of the marketing order, an obscure device now applicable only to dairy products and a few fruits and vegetables, which can reduce production indirectly by permitting only those items meeting a certain standard of quality to be sold.

Trying to look at the brightest side of the lack-lustre Bill passed by Congress, the Agriculture Department's publicity men call its mandatory reductions of wheat and maize acreage a step toward control over supply and exult over a tiny and insignificant broadening of the use of marketing orders. But, in truth, the coalition of Republicans and conservative Southern Democrats which dominates the Agriculture Committees in both the House and Senate has hurled the Administration's farm programme into a deep grave. No member of the Kennedy Cabinet has won less from Congress than Mr Freeman.

Nevertheless, he cannot be branded as an ignominious failure. He has been operating almost on his own deprived of help or even encouragement from the White House. President Kennedy believes that he can pursue actively just so many projects in a lethargic Congress and he clearly does not give priority to the farm problem. His econo-

THE ECONOMIST AUGUST 26, 1961



mic advisers are not particularly interested in agriculture, and his political aides remain bitter over the thrashing which he suffered throughout the mid-western farm belt in last year's election. Accordingly, Mr Kennedy has not worked against the massive opposition to the farm Bill of the American Farm Bureau Federation, the richest and most conservative of all agricultural pressure groups.

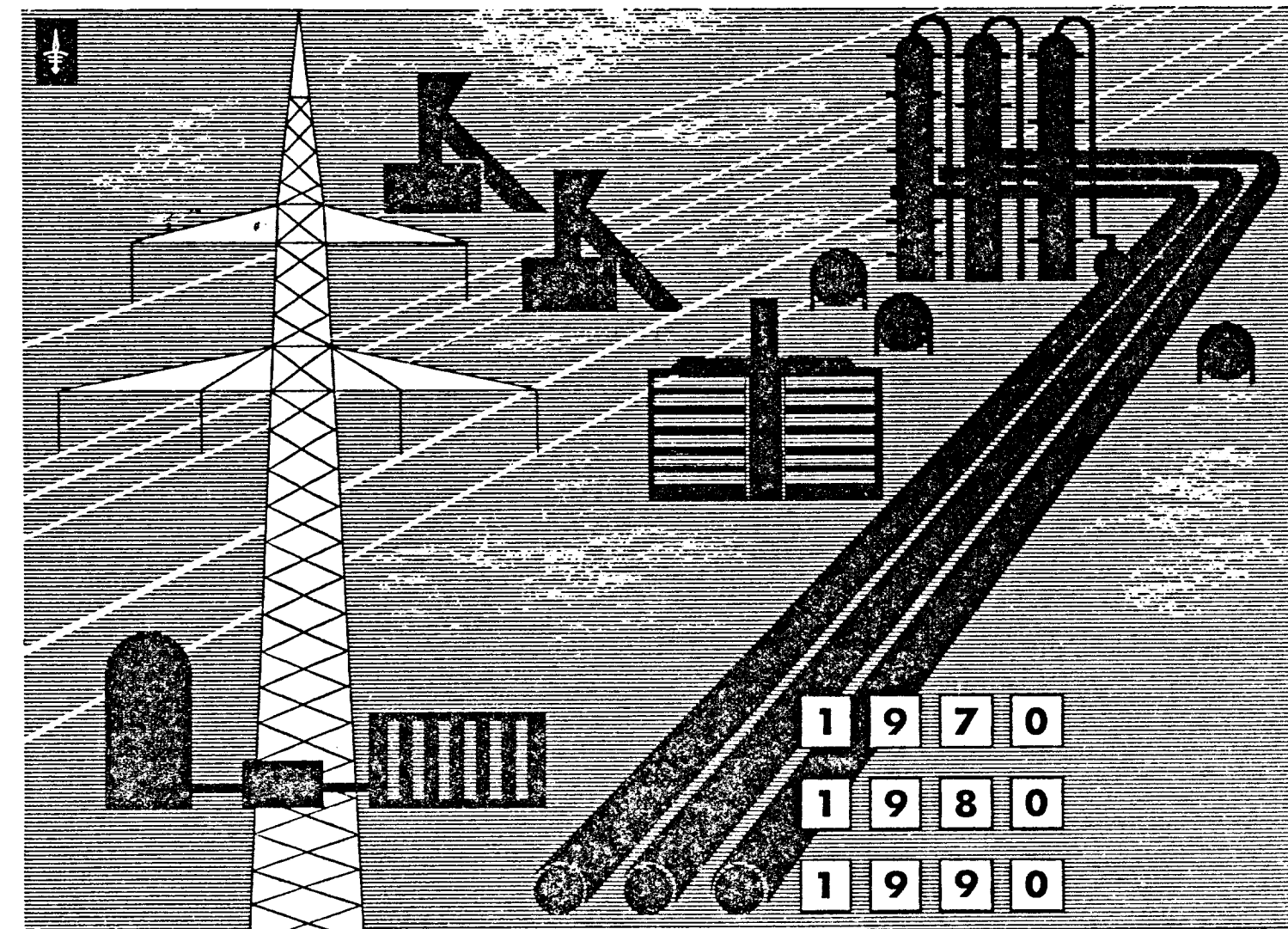
Nor has Mr Freeman been helped much by the Democratic leaders in Congress. He is particularly bitter about the refusal of Mr Rayburn, Speaker of the House, to lift a finger on behalf of the Bill. Moreover, the circumstances surrounding Mr Freeman's appointment to the Cabinet did not help his prestige in Congress when he first took over the job. His troubles in his final two years as Governor of Minnesota cost him re-election in a state that was carried by Mr Kennedy and other Democratic candidates. Not particularly well versed in farm matters, and hardly rating a Cabinet seat, he was named to the agriculture job only as a compromise to stop a bitter struggle over the post between various other supporters of the President.

Against this background, Mr Freeman's accomplishments, scant though they may seem, are remarkable. By tireless and personal cultivation of members of Congress, he has become one of the best liked Cabinet members on Capitol Hill. He astounded congressional observers by winning support for his programme from Mr Ellender, the conservative chairman of the Senate Agriculture Committee, who more often than not follows the Farm Bureau line. Moreover, Mr Freeman seems to be gaining prestige among the farmers themselves.

Despite this, prospects are even less favourable for action on his programme in 1962 than they were this year. Senator Ellender now declares that he was subjected to so much abuse for his support of the Administration's plan that he is in no mood to resume the struggle and the backing of big city Democrats in the House of Representatives cannot be counted on indefinitely. These urban Congressmen have supported the Freeman proposals this year out of loyalty to Mr Kennedy while remaining apprehensive about their impact on their city-dwelling constituents. But next year they will be running for re-election. And next year President Kennedy, faced with even more difficult congressional struggles, is not likely to push farm legislation any more energetically than he did this year.

THE ECONOMIST AUGUST 26, 1961

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S T E E L 2 0 0 0

By the year 2000, the world population will probably have grown from 2.8 billion to more than 6 billion^{*}). Huge energy reserves will have to be exploited to generate many times as much light, heat and power as is produced today.

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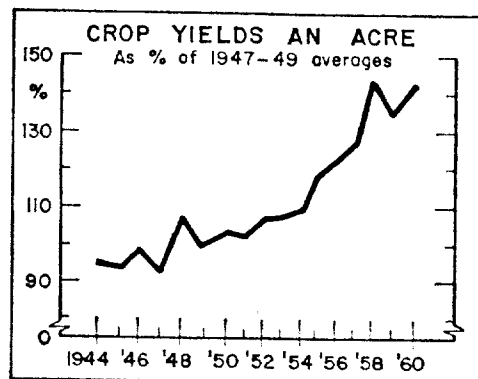
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^{*} According to population statistics compiled by the United Nations in 1958



Continued from page 795

ing purposes to a small and virtually unknown firm. As a major borrower in the tax-exempt market, California's Treasurer, Mr Bert Betts, has been looking for ways of reducing the burden of interest on the state. Over a year ago, he gave up borrowing on a fixed schedule and changed to a more flexible policy of going to the market only when conditions appeared favourable; but he still had to contend with a lack of competition in bidding for the right to issue his bonds. To all intents and purposes a syndicate headed by the giant Bank of America has been California's sole underwriter, largely because other potential underwriters have felt that only a big selling group could handle the state's huge volume of offerings (averaging over \$800 million in cash annually).

Thus, when Mr Betts invited bids on three issues totalling \$225 million, it was regarded as inevitable that the Bank of America's syndicate would be the sole bidder. So there was genuine consternation when William S. Morris & Company, a New York firm with only \$500,000 in capital, won the school bonds. Its bid amounted to a net interest cost of 3.75 per cent a year compared to the syndicate's bid of 3.86 per cent. The crowning ignominy was that California rejected the syndicate's offer for the other two issues because there was no competition.

Other underwriters have recovered from their shock to the extent of acknowledging that this "sneak" bid for the school bonds was not only wholly legitimate but highly profitable: the Morris company had to put up \$100,000 as a good faith deposit and should make a profit of over \$1 million after expenses. It has been pointed out that in making its bid the syndicate had to consider the prospects of distributing the entire package of three issues; moreover, by turning down the remaining \$125 million worth, Mr Betts made it much easier for Morris's to dispose of the bonds it had won. If in fact the syndicate had been awarded the remainder

at higher prices, Morris would have run the risk of taking a loss.

Even so, the victorious Morris bid suggests that the tax-exempt market may be in for more aggressive competition in future. The big underwriters, who pride themselves on being able to handle an increasing volume of offerings, acknowledge that they have become more engrossed in the problem of distribution than in the actual bidding. But they also insist that California is a special case. They agree that competitive bidding may save the state money in the short run; but they contend that Mr Betts ignores the marketing aspect and warn him that an underwriting failure, based on too low a bid, could bring much higher interest rates in the long run. Nevertheless the chances are that, when he re-offers the bonds which he withdrew—the \$100 million exservicemen's issue is coming on September 13th—there will be more than one bid for them and that the Morris company will try again.

SHORTER NOTES

The vagueness in the Constitution about how it is to be decided whether a President is unable to carry out his duties—in which case his powers devolve on the Vice President—and the persistent failure of Congress to remedy this omission make it necessary for each President and Vice President to agree on a personal arrangement. President Kennedy and Vice President Johnson have now followed the example of their immediate predecessors and have announced that, if possible, the President, when incapacitated, would ask Mr Johnson to take over; if Mr Kennedy was unable to do this, the Vice President would take over on his own authority after appropriate consultations with the Cabinet; in either case the President himself would decide when he was ready to resume his powers.

* * *

To prepare for next year's battle with Congress over tariff policy the President has appointed a special assistant—Mr Howard Petersen, a Republican and a banker—to examine American foreign trade policies in the light of the changing conditions of today, to co-ordinate the activities of the various departments concerned and to draft a new international trade programme.

* * *

Last month the Battle of First Manassas (or Bull Run, as it is known in the North), the first great battle of the Civil War, was re-enacted with striking realism on the original site in Virginia by about 2,200 costumed members of the North-South Skirmishers Association and the National Guard. The spectators, who totalled nearly 100,000 on the two days of the display, and who were mostly Southerners, suffered heat of 101 degrees and a good many casualties of their own to watch the Confederates rout the troops of the Union. The spectacle was part of a four-year observance of the centenary of the war.

* * *

Although Washington, DC, contains more Negroes than whites it has never had a Negro on its governing body, the Board of Commissioners. This was altered last month when the Senate unanimously confirmed Mr John Duncan, a Negro, as a member of the board. Mr Duncan was chosen by President Kennedy after his first choice, who was also a Negro, resigned when his troubles with the tax authorities were brought to light by a Senate committee.

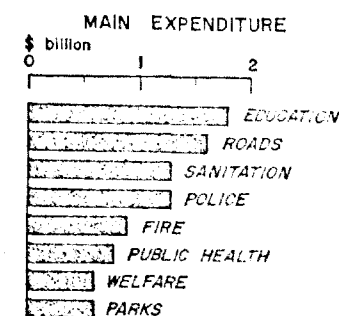
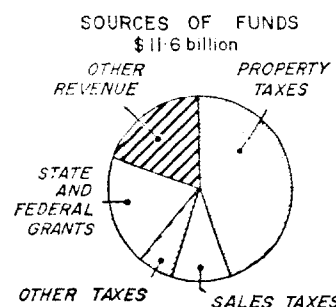
* * *

In 1959 there were only 280 millionaires in the United States, according to the tax authorities. Their taxable income amounted to \$425 million and they paid \$268 million of it to the Treasury.

Cities Take Stock

During the fiscal year 1959-60, the 18,043 cities in the United States drew into their coffers some \$11.6 billion in general revenue and spent about \$11.8 billion. In addition, many of the cities operated public utilities and handled retirement funds for their employees; if these are included in the totals, revenue reached \$14.9 billion—an increase of over \$1 billion from the previous year—and expenditure \$15.3 billion. During 1959-60 the cities raised \$2.4 billion in new money through the issue of long-term bonds; at the same time they paid off \$1.3 billion of long-term debt incurred previously.

The cities derived nearly half of their general revenue from taxes on property and a further fifth from the equivalent of grants-in-aid, mainly from state governments. While the average city raised and spent about \$100 for each resident, big cities carried much larger budgets, in relation to their numbers, than small ones. The five cities with over a million inhabitants spent over \$200 a head on the average, while those with fewer than 25,000 residents spent only about \$50 a head in the year.



LETTERS

Atlantic Union

SIR—As a devoted reader of your publication, I have long respected its factual thoroughness and lucidity of thought and presentation. I have been somewhat shocked, therefore, by an aura of mystery or mysticism which has crept into your columns recently.

I say mystery or mysticism, for I am not sure as yet whether to label this phenomenon "The Mystic Presence of Atlantic Union" or the "Great Atlantic Union Mystery." What I am referring to, of course, are the delphic remarks at the end of the article "Atlantic Union Next" on July 29th and "The European Venture" on August 5th, which suggest that any British hesitation about entry into the European Economic Community should be stilled by a no-longer-fantastic Atlantic Union. Except for a few veiled remarks about "political institutions on an Atlantic level" and "a joint attempt to manage the economy of the West on Keynesian lines" you have not as yet revealed to your readers just what will be the nature of this no-longer-fantastic beast. Therefore, it is hard to tell whether you are carefully concealing the exact structure of such a union, to reveal it at a more suitable time, or are simply exploring new political territory with hope, but no map.

In all seriousness, past experience suggests that the former is closer to the truth. May I be permitted to wonder, then, why the mystery? If Atlantic Union is worth invoking, is it not all the more worth analysing? The problems suggested by your cryptic remarks are of themselves vast. Keynesian control of the Western economy suggests by necessity a high degree of budgetary co-ordination. It would also require unified credit policies. Credit and fiscal policy are political issues of the first magnitude here and throughout the Atlantic area. Their co-ordination would require supra-national institutions with considerable power, and to create such institutions would be a political feat of phenomenal proportions. Here in the United States strong constitutional objections would be raised to the creation of the necessary institutions.

The logic of your suggestions is attractive, but there is much to be said on all sides of this issue before it can be translated into political reality in any form. If, as you suggest, that translation is not only desirable but basic to the survival of the West, then the sooner the debate is begun, the better.—Yours faithfully,
New Haven, Conn. DAVID M. TRUBEK

A Century of Progress

SIR—I observe with regret that, in your note of August 5th, you appear to accept without

comment the average annual rate of increase in output per head from 1950 to 1959 as providing a true representation of the rate of increase in British productivity since the war.

The year 1950 was one of extreme full employment, while in 1959 there was, on the average, a substantial margin of unused capacity, much of it in the form of the under-utilisation of employed labour. To obtain a valid indication of the rate of growth of output per head, it is necessary to compare years in which the proportions of capacity employed were similar.

If, instead of 1950 and 1959, we take the years 1948, 1953 and 1960, which fulfil this requirement, we find that from 1948 to 1953 real gross domestic product rose cumulatively by an average of 2.5 per cent a year, while from 1953 to 1960 the average annual rise was 2.9 per cent. The corresponding rates of growth in output per head are 1.9 per cent and 2.3 per cent. The latter figure is nearly 50 per cent larger than the average annual rise of 1.6 per cent from 1950 to 1959.—Yours faithfully,

F. W. PAISH
London School of Economics, WC2

The article to which Professor Paish objects was a summary of one in the *National Institute's "Economic Review"* prepared by a team headed by Miss Deborah Paige. We asked Miss Paige, therefore, for any comment upon his points. Her reply follows.

SIR—In the article quoted in your note, we were making international comparisons over the last hundred years. For the post-war period we used figures for 1950-1959 and 1954-1959. 1950-1959 was the longest available postwar peacetime period; figures for 1948, 1949 and 1960 were not available for some countries, and in any case in a number of them 1948 and 1949 included a substantial element of post-war recovery which we wanted to exclude. For this reason, we gave figures also for 1954-1959, to provide better comparisons for those countries where the process of postwar recovery went on for longer.

The selection of any starting and finishing years is bound to favour some countries and be hard on others; but we found in practice that selecting different years did not make much difference to the ranking of the eleven countries, which was our main concern. On any basis, Britain is at or near the bottom of the table of postwar growth rates. If 1948 and 1949 are added at the beginning or 1960 at the end, it improves the performance of most other countries, as well as that of the United Kingdom.

Professor Paish is probably right in suggesting that, for the United Kingdom, the growth of output between 1950 and 1959 underestimates the growth of capacity, because capacity was less fully employed in 1959 than in 1950. The

comparison of 1953 and 1960 suggested by Professor Paish seems valid for this purpose—though the period is rather a short one. The comparison of 1948 with either year seems much more doubtful. First, there was probably still a significant post-war recovery effect in 1948 and 1949. Secondly, unemployment and unfilled vacancy figures suggest that capacity in 1948 was much more fully employed than in the later years.—Yours faithfully,
London, SW1 D. C. PAIGE

Southern Rhodesia

SIR—May I answer the four points on which Major Patrick Wall charged me with "complete disregard of fact" (in your issue of August 12th) in my report on the Southern Rhodesian referendum?

First, the question whether government party members said they could and would eliminate the fifteen lower roll seats "if Africans proved unco-operative." Despite the official government denial by which Major Wall sets full store, I can give him the names of two United Federal Party MPs who made this point most explicitly at a private meeting and explained it could be done by getting a simple two-thirds majority. Major Wall, as a Southern Rhodesian landowner himself, should know that in Rhodesia what is said in private house meetings often wins more votes than do public statements. He is of course right in saying a two-thirds majority is needed to alter the composition of the assembly and that agreement by all four races voting separately in a referendum is needed to raise the franchise qualifications. But he is wrong in suggesting that "the franchise qualifications in effect determine the composition of the legislature" and implying that no matter which roll, there is a uniform equation between voters and seats. Official government estimates dispose of such an idea: they calculate there will be from the start twice as many voters to each lower roll constituency as there will be to each upper roll constituency. (Even that statement is a simplification, as most statements have to be with Rhodesian constitutions, and it disregards the cross voting effect which is irrelevant to this point.)

Secondly, the number of dead. On the day I cabled my article it was reliably reported that four had been shot dead. The government later denied that more than one had been killed on the Monday night; but on the day of this denial a young man died in hospital from wounds received the night before. The death toll was therefore two.

Thirdly, the number of people who voted in the National Democratic party's referendum. Frankly, I don't know who these "official observers" were who estimated that only 90,000 voted. If they were police they were present at only a few polling stations. If they were a network of African informers, did they stand conspicuously by the stations counting the queues all day? I don't believe they did. The organising secretary of the UFP gave a figure of

150,000 voters three days later and it was lowered to 90,000 only a week after the referendum. I would place more reliance on the NDP figure of 300,000: after all, they had the advantage of having the ballot papers to count. Major Wall is entirely unfair to the NDP in saying the referendum "paid no regard to the secrecy of the ballot box." I visited about twenty polling stations and at every one of them a voter could have voted secretly. The fact that few voters bothered to hide their preference is quite another matter.

Lastly, my "fantastic distortion of the facts" in writing that Sir Edgar Whitehead "has wiped away" clauses requiring laws that technically discriminate against Africans to be submitted to Britain. That paragraph summarised Sir Edgar's achievements as seen through the eyes of an average white Rhodesian voter. Would Major Wall call that view distorted? The Declaration of Rights which he praises so highly has been criticised by many Rhodesians, including a group led by Mr Garfield Todd, the former premier, as offering "totally inadequate safeguards" because of the powers left to ministers to interfere with the courts. Sir Robert Tredgold, the former federal chief justice who campaigned against the proposals, has also spoken of the "defects" of the Declaration of Rights.

I would like to be able to agree with Major Wall that the referendum result was "a tremendously encouraging victory for liberalism and multiracial co-operation." Sir Edgar has perhaps a year's opportunity to turn it into such a victory by radical reforms; but the methods by which his party won the referendum did not suggest they were fighting for liberalism.—Yours faithfully,

YOUR SPECIAL CORRESPONDENT IN
SALISBURY

Information and Investment

SIR—The way in which your reviewer of July 29th has misunderstood the nature of the destructive part of the argument of Mr G. B. Richardson's new book will be immediately obvious to anyone who reads, as any serious economist will have to, the first two chapters of the book. But fairness, if not the plight of the marginal buyer, demands that the record should be set straight.

Mr Richardson does not indeed give us any empirical evidence that would be relevant for testing the predictions implied by the usual model of a perfectly competitive market. He would be inconsistent if he did. His principal object seems to be to show that the model, quite apart from those empirical questions, so fascinating to your reviewer, of how it is to be modified to fit a particular case, is a logical mess. For if we make all the assumptions required in the model we find we have left no friction and no ignorance. Now if each producer is to know how much he should plan to produce in the long run, he has to know how much each other producer intends to put on the market, and when. There is then a dilemma. If there are no imperfections in the market which allow or compel a sequence of actions, how is it logically possible for all producers to acquire this amount of knowledge? On the other hand, if such imperfections in the diffusion of information, or in response to it, are logically necessary (though not sufficient) for equilibrium to be approached, then what becomes of all those arguments about economic policy which are conditioned by, if not dependent upon, the workings of the model of perfect competition?

Mr Richardson repeatedly admits the

tentative and incomplete nature of the later constructive sections of his book. But he has made it clear to at least one reader, if not to your reviewer, that some new analytical construction is necessary. For the "extremely useful" taxonomy of the perfect competition model has been shown to be the result not merely of theoretical abstraction, which is obvious, but of a fundamental logical flaw, which was not. As a result of Mr Richardson's work, before the economist can follow your reviewer into the field with a questionnaire he will have to spend some time in his ivory tower making sure that his questions still make sense. And is that not what ivory towers are for?—Yours faithfully,

Leeds

A. SUTHERLAND

China and Cambodia

SIR—The Ministry of Industry of Cambodia has requested me to point out that your Note of the Week "Unhappy Customers" on page 445 of *The Economist* of July 29th is inaccurate in two particulars.

The state plywood factory referred to has not ceased production but is still working. The quality of our plywood products is not inferior to those of imports of the same categories, and the sales of these products from our factory are maintaining a normal rhythm. Admittedly there is a slight surplus in production, but there is no slump in sales.

The state textile factory is not losing customers, and indeed is at present unable to meet all the demand for its production.—Yours faithfully,

CHEA SAN,
First Secretary

Royal Cambodian Embassy,
London, NW8

esting: perhaps because Germany is nearer than China in both distance and culture, and its pathological behaviour in the past is more familiar; more probably because the book is autobiographical. The sickening process of dehumanisation has never been described before with quite such insight. His account of the psychology and motivation of the SS guards and their curious two-way relationship with their captives sheds light on similar relationships in institutions nearer home—in boarding schools, in mental hospitals and in prisons. The author's achievement is the more impressive because he was unable to bring out of the camps a single note of his observations on the behaviour of his fellow prisoners or their guards; he implies that his determination to remember, and to make something constructive out of his appalling experiences, was the thing that may have saved him from becoming one of the "muselmänner," the walking corpses who, defeated in their efforts to adjust themselves to their surroundings, had surrendered to it and lost the will to live. The survivors seem to have determined to retain some shred of

BOOKS

Inhuman Nature

The Informed Heart

By Bruno Bettelheim.
Thames and Hudson. 318 pages. 35s.

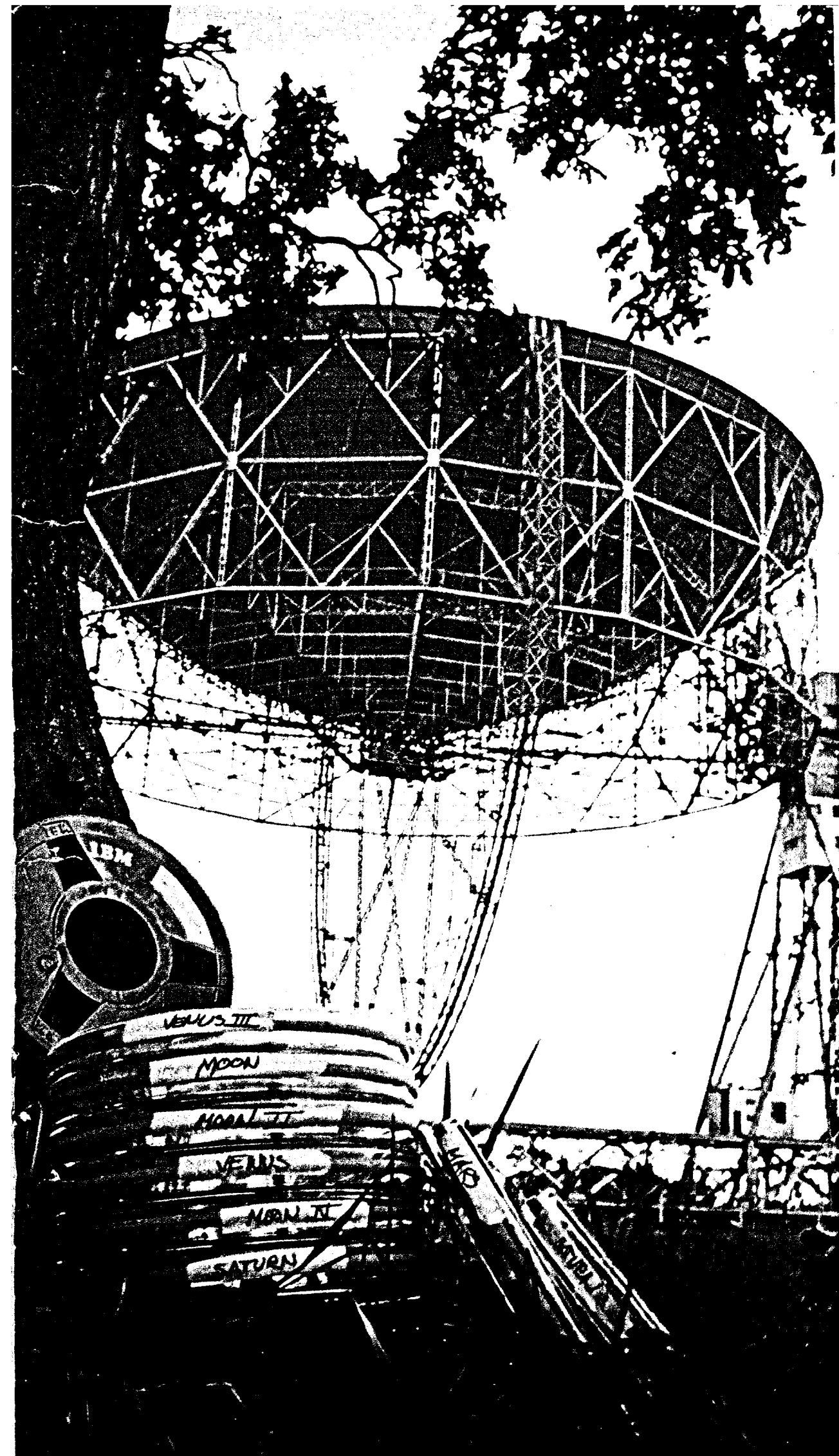
Thought Reform and the Psychology of Totalism

By Robert J. Lifton.
Gollancz. 520 pages. 30s.

THESE books have much in common. Dr Lifton describes the experiences of twenty-five western people, mainly missionaries and businessmen, and fifteen Chinese intellectuals, all of whom had undergone thought reform in prisons or revolutionary universities in China, and who had later left China for Hongkong. A year in Dachau and Buchenwald provides the background of Dr Bettelheim's book.

Both, therefore, have a common theme: the deliberate modification of personality by coercion and by unwearying exhortation. Both share a common language and were written by psychiatrists who have practised psychoanalysis, though Dr Bettelheim found the psychoanalytical framework quite inadequate to account for human behaviour under extreme conditions. Both, also, successfully explain mysteries that have long perplexed outsiders. What makes prisoners consent to dig their own graves? How are children induced to denounce their parents? Why should honest people make false confessions about germ warfare? Why should prisoners betray each other? How are people induced to file in thousands into gas chambers?

Dr Bettelheim's book is the more inter-



SPACE PROBES HAVE BEEN SUCCESSFULLY TRACKED BY RUSHING REPORTS FROM THIS RADIO TELESCOPE AT JODRELL BANK, ENGLAND, TO IBM COMPUTERS IN LOS ANGELES. CONSULTING CELESTIAL DATA ON REELS OF MAGNETIC TAPE, THE COMPUTERS CAN QUICKLY FIGURE A PROBE'S SPEED AND TRAJECTORY.

A watch on space in a quiet meadow

A huge silvery dish swinging high above a lush Cheshire meadow has been teamed with IBM computers 6,000 miles away in California to link scientists on the ground to probes far out in space. The dish is the Jodrell Bank radio telescope; the University of Manchester, the largest fully steerable radio antenna in the world. The computers are the Space Technology Laboratories, Inc. centre in Los Angeles. Together with smaller antennas they have formed a world-wide tracking network.

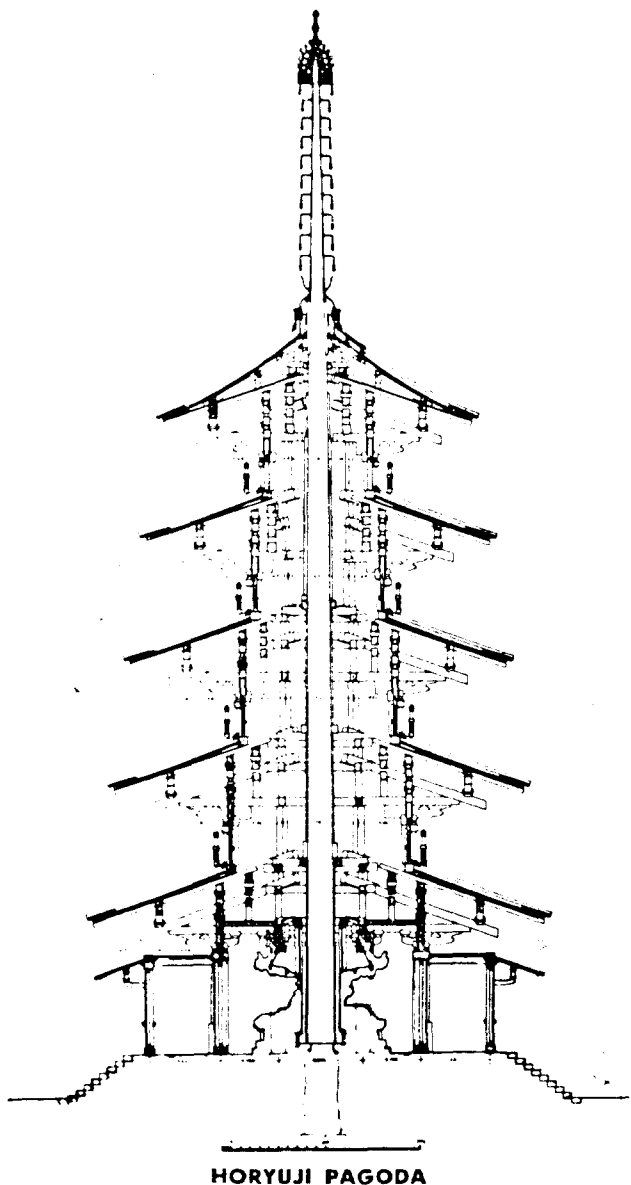
Far out in space—they've been tracked up to 22 million miles—the vehicles, little larger than beach balls, speed at almost 20,000 miles an hour. To pinpoint signals as a probe swings up over the horizon, each tracking antenna must be aimed with exquisite precision—the computers' job. For information rushed from each tracking antenna in turn, the computers can compare it with celestial data in their memories and run through complex calculations to find a probe's trajectory at speed. These are needed to aim the next antenna in the network and thus track a probe continuously.

Space exploration would be impossible without computers to analyse data, carry out involved calculations. IBM data processing systems do this sort of thing fairly quickly. A problem that would take 800 years to solve with pen and paper can be cracked by IBM 7090 in just five minutes.

Few scientists have the patience to wait 800 years for an answer. Advanced research laboratories all over the world are equipped with IBM high-speed computers.

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HORYUJI PAGODA

The exact year in which the Horyuji Pagoda was built is not known, but it is recognized as being completed in the early part of the 7th Century. The Horyuji Pagoda is the world's oldest wooden structure and is now being preserved by the Japanese Government as a national treasure. It's total height is 30 meters. As can be seen in the diagram the center pillar is not touching the ground. It is hung from the top and held in place by spring like wooden supporters. This type of architecture makes it very strong against earthquakes and wind because the center of gravity is flexible. On the walls and ceilings of this pagoda were beautiful colored paintings which are now barely discernible.

THE BRAINS THAT BUILT THE PAGODA

The most astonishing feature of the extravagant Japanese pagoda is that it is built around a single wooden pillar . . . and the base of this pillar does not touch the foundation. Besides the pagoda, some of the world's oldest and largest wooden structures are still standing in very good condition in Japan today. The brains and skill that accomplished such architectural feats centuries ago have been handed down through the years to the modern industrial age.

Today, Japan's industries are geared to take in stride the rapid industrial revolution which marks our century as unique in the field of technical developments. Outstanding among the numerous Japanese industries whose annual export figures show a steady increase are the shipbuilding, electronics, optical, heavy electric, camera, rolling stock, textile machinery, chemical fertilizer, and power machinery industries. JETRO cordially invites your inquiries on trade.



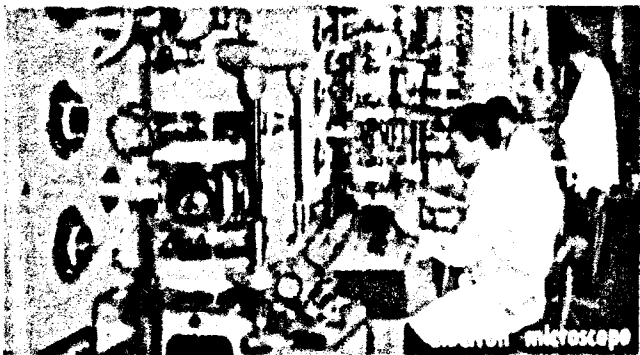
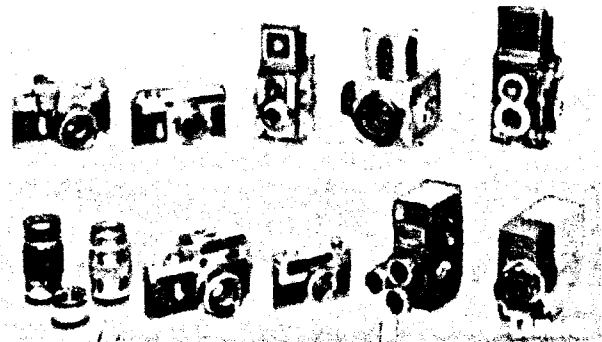
67,000-ton tanker



Dam under construction



Transistor factory

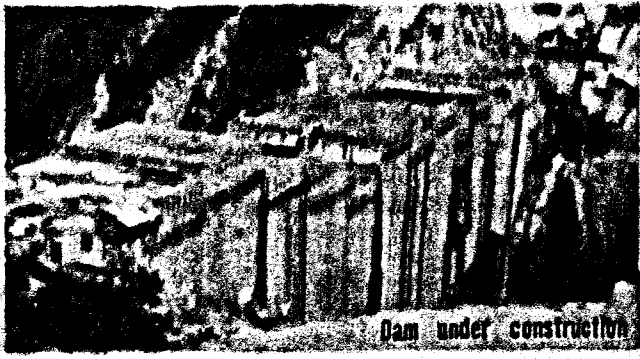


Microscope

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self-esteem, some tiny realm of self-assertion, some slight opportunity to make a personal decision. The others had given up any effort to control their environment, they no longer fought for food, and died.

Dr Bettelheim has little or nothing to say of the long-term effects of these conditions on those who survived. One would expect them to be scarred for life and incapable of living ordinary lives again. It is, however, reported that they usually quickly recovered and that the legacy of invalidism and inability to live in ordinary society has been surprisingly small, even after years of extreme stress.

Dr Lifton's book bears out the impression that the effects of these conditions are transient. He assiduously followed his western subjects to Europe many years after their experiences of thought reform, and several years after his original interviews with them in Hongkong, and tried to estimate how effective, in the long term, their brain-washing had been. All appear to have been affected in some degree, but only one or two at all seriously; to the extent, for example, of changing the former pattern of their lives. That thought reform does not usually produce enduring changes is also implicit in the short-lived episode of "the hundred flowers." In 1957, an invitation to "freedom of independent thinking, freedom of debate, freedom of creative work, freedom to criticise, to express one's own view" produced such a storm of criticism of party, regime, despotism and thought reform itself that the lid had to be hurriedly clamped down again. That all those years of talk, millions of words, tons of group pressure, and sinuous coils of subtlety could prove so monumentally ineffective is profoundly encouraging, for Chinese techniques of thought reform have clearly left the Russians far behind.

The episode of "the hundred flowers" lessens the force of the obvious criticism of Dr Lifton's work: that because he worked in Hongkong he saw only the failures of the thought reform process. But there are other criticisms. Unfortunately, the picture of thought reform in operation reaches the reader only at second-hand and through the psychoanalytically trained filter of the author's mind. The case histories are very long life histories and abound in terms like "negative identity", "identity reinforcement", "negative self-image" and "group identity." The index, in fact, lists forty-four nouns and adjectives qualifying "identity." A brief scanning of half a dozen pages shows that the index is incomplete, as it omits "i-struggle," "supernatural-i," "i-collapse" and (as one might expect) "overall-i." It is the kind of language that makes one want to implore the author to present the facts and cut the cackle, an impulse that is not evoked by Dr Bettelheim's book though it is just as heavily loaded with psychoanalytical interpretation.

These over-interpreted case histories occupy more than half of Dr Lifton's book. The remainder, which deals with the history of thought reform from its origins in the

twenties, with its impact on native culture and religion, and with its relation to Marxism and Russian communism, will be new to many readers and could not have been better done.

The authors of both these books have done humanity a service in thus exposing inhuman motives and methods. At least we can now better understand man's inhumanity to man even if we can do precious little to prevent it.

The Human Past

The Dawn of Civilization

Edited by Stuart Piggott.

Thames and Hudson. 404 pages. £8 8s.

WRITTEN history gives a patchy record of man's endeavours in the last five thousand years, but to the archaeologist the tale of his achievements and failures stretches back over a period a hundred times as long as this. The aim of this book is to sift the evidence and survey the foundations of civilisation on a worldwide basis. The result, complex, authoritative yet still questioning, is pre-eminently exciting.

An all-British team of thirteen scholars, each an expert in his own field, has contributed the thirteen sections, each of which is devoted to a region where a distinct civilisation arose. There is, for instance, Sir Mortimer Wheeler on India, who incidentally supplies the definition of what this book is about. "Civilisation, in a minimum sense of the term," he writes, "is the art of living in towns, with all that the condition implies in respect of social skills and discipline." There is Mr Cyril Aldred with such lively comments on Ancient Egypt as this:

All this achievement was the exotic flower upon a plant whose root was the eternal Egyptian peasant, forever toiling in the fields, living with his animals for the moment only, never far from sudden plague and famine, hedged around by grosser superstitions than those of his masters, but able unlike them to escape the inhibitions of polite society, and preserving intact the same sardonic gusto, the same manners and customs that have brought them virtually unscathed through five thousand years of changing history.

There is Mr Seton Lloyd on Anatolia, describing the historic bridge between Europe and Asia, and Mr Sinclair Hood conjuring up the "water-linked paradise" of the Aegean some five thousand years ago.

The profusion of talented writing has been brought together under the editorship of Professor Stuart Piggott and each section is presented in a similar way. Coloured and monochrome illustrations on glossy paper, supported by subsidiary text rather too substantial to be described as captions, is followed by the learned text on buff-coloured matt paper with maps, architectural plans and other drawings. The assiduous reader may well question this arrangement. It involves cross-references, the retracing of steps and, in parts, the re-reading of almost the same chunks of type on two kinds of



The chef's nightmare

A MORE OR LESS apocryphal story about a young dramatic critic at Oxford tells how he would, in restaurants of reasonably refined moeurs, order and eat an ice-cream, the main course and the soup, in that order.

This is all very well for a critic. But it is very worrying for the chef. Tradition and training tell him that this is against the natural order of things, and incidentally takes no account of his efforts to plan a logical sequence of courses.

There's a similar problem of precedence when you pick up *The Observer* on Sunday. Here is a veritable banquet of ideas and articles and features. But where should one start?

Beginning at the end

Does one begin at page one, and work steadily through? This isn't a bad answer, but it lacks enterprise, and so it is out of harmony with the paper itself. And there is, incidentally, a good case for starting at the very end, for this is the page that carries 'The Week', a useful digest of news that brings you up to date with the events that you may have missed.

Clearly the main course on the menu is news, real news. But why start with the main course? How about a wry Feiller cartoon, or a Paul Jennings fantasy, as an appetizer? And then there's the effervescent fashion-writing of Katharine Whitehorn, if you're a woman. Or if you aren't.

Unexpected insights

You might turn first to the financial expertise of the City pages. Or to Table Talk's unexpected insights into the lives of the great, and the talked-about. It may be that you will head straight for *The Observer Profile*. Or you may begin your Sunday-morning feast with the review pages: Kenneth Tynan, Maurice Richardson, Philip Toynbee and A. Alvarez are among the famous names who provide fare that is rich, rare, and never over-sweetened.

But in the end, and this is where the culinary analogy breaks down, you will probably decide that it doesn't much matter where you start reading *The Observer*. The important thing is to start!

J.B.L.

ADVT.

paper. Its justification, presumably, is that it caters for the quick-to-please reader who will be content with the glossy pages only. Be that as it may, even he is unlikely to profit from the childlike, highly-coloured views of "reconstructed scenes," which, scattered through this book, are intended to show man's living conditions in different environments and cultures but succeed only in displaying the same hand of modern execution. These are quite out of keeping with the high, sophisticated standards of the photography.

These minor doubts apart, all praise must go to this publishing enterprise, which has taken three years to complete. The fact that the last word has not been said on the subject, that even while the book was being put together new archaeological discoveries were being made, the reflection of how comparatively recent is our knowledge of even the Sumerians—all this adds to the fascination of this material. Since man has succeeded in multiplying himself chiefly by improving his equipment for living, this is a record of the beginnings of technology, the story of man asserting his mastery over the world, his discovery and use of metals and other materials. There are some superb photographs of the earliest known products of human handiwork and genius, of exquisite works of art designed perhaps as part of a magical ritual or perhaps as memorials. The painted pottery from the later Chalcolithic period, the Mesopotamian scarlet ware, Indus stone sculpture, a Javanese bronze warrior on horseback, the haunting statue of an Egyptian god-king, a delicate piece of eighth century BC Phoenician ivory—all form part of these splendid illustrations of cultural variety.

A Feminine Hand

Gertrude Bell: From her Personal Papers. 1914-1926. Volume Two.

By Elizabeth Burgoyne.

Benn. 399 pages. 45s.

INTIMATE letters hold the mirror even closer to the writer's face than does a diary. For, once posted, they are gone and cannot be tailored to fit later thoughts. They therefore represent the limitless vagaries of the mind. All of us think in zigzags and circles as well as straight lines, and in few of us would private thought stand up to public scrutiny as well as do these letters home written from Mesopotamia by Miss Gertrude Bell.

She is already familiar in the two volumes of such letters published by her stepmother and sister not long after she died, but both these editors, for reasons of delicacy, omitted most of the personal story. Now that time has blunted the cutting edge of some of her private comment, Miss Burgoyne has been given a freer hand. Most unobtrusively, for she never adds a word where none is necessary, she has done a skilful job, for she has contrived to produce a consecutive

narrative without repeating what we already know.

Nineteen-twentieths of the book, therefore, are by Miss Bell, and, in her loving, swift and easy prose, scribbled to inform and entertain her family, she gives the minutiae of the formative years of the Kingdom of Iraq. The rebellions and unexpected smooth passages, her relations with her colleagues, the endless comings and goings of Arab notables, the hesitations, the trying summers, the green shade of date groves and the delicious taste of power—all are there till, at the last, she felt the pang of being needed less by Arabs in a hurry to manage for themselves.

It is debatable whether all the details will interest those who come fresh to the subject, but any specialist will learn much about British imperial practices, including the permanent urge to administer unadministered areas, and the skill with which King Feisal (helping with his charm but hindering by his weakness) was eased on to a throne that was anything but warm for a stranger. Yet even the reader who gets lost in the jungle of Arab names will find that the book has worth as a human document. Gertrude Bell is a daughter of her class and generation; she takes servants and money for granted and was never tired till she was forty-six. She is so accustomed to her own way that she trusts her judgment above that of colleagues and superiors, and, though she "almost invariably" shows them her letters to the great in London, does not see how awkward they might at that date find it to tell a woman colleague to shut up. She could be maddening, but they all admired her for her integrity, hard work, indifference to publicity, creative achievement and good company. So did servants; one of the most endearing figures in the book is her maid Marie Delaere, who is caught packing crepe-de-chine nightgowns for a rough shooting party because someone's Sudanese servant is sure to look. This book is a self-portrait; it remains for a biographer to examine a very remarkable woman through the eyes of the rest of her generation.

Miss Burgoyne calls for one important reproof. When she published her first volume (1889 to 1914), reviewers mentioned her many careless mistakes, and well-wishers sent her lists of them. She has paid no heed, and here are many more. She places Lawrence's revolt in the desert a year too early; she makes a jumble of Persian place names where a glance into a gazetteer would have put her right; did Gertrude always spell Edwin Montagu with a final "e" and Ralph Glynn with two "n's"? She confuses the peace treaty with Turkey with the treaty that terminated the mandate and draws a wrong deduction from her mistake, and she indexes the same man as two separate people when (as he is alive today) a dip into "Who's Who" would have told her that he served both in Iraq and Palestine. In a word, she often irritates where, since she was handling such splendid raw material, she should have given nothing but pleasure.

Telly Lobby

Pressure Group: The Campaign for Commercial Television

By H. H. Wilson.

Secker and Warburg. 232 pages. 18s.

THE decision to adopt commercial television in Britain represented the greatest triumph that any pressure group (the word is not used here in any pejorative sense) has won in the last generation. Professor Wilson's admirable book was not needed to show that; but he documents the nature of the triumph in an original way and offers a work that no serious student of British politics can afford to miss. It is not brilliant—but it is very readable: it is not without errors—but it is scholarly; above all, it tells a story that is important in itself and it provides a revealing example of how, in special circumstances, a government's policy can be influenced.

This book tells more about the genesis of the decision to adopt commercial television than about details of the 1954 Act. Even on the basic decision, Professor Wilson leaves major questions unanswered, because those involved were inaccessible, or discreet, or just forgetful. He remarks that his difficulties in piecing together just what happened seven or eight years ago makes him look with awe at the confidence with which historians write of events long past. A future scholar looking at the struggle over commercial television will find that, though some new papers may be available, others will have been destroyed and that fewer and less accurate memories will be at his disposal for consultation. Professor Wilson may be at fault on details and may leave some problems unresolved, but he probably goes farther towards the truth than anyone setting about the task ten or twenty years later would have done.

Perhaps the most significant revelation of this book is the extent to which Lord Woolton and certain figures in the Conservative Central Office were involved with the forces pressing the Conservative Government to introduce commercial television. In his last chapter, Professor Wilson puts forward some provocative speculations about the changes in the nature of the Conservative party that facilitated the defeat of the traditional, rather paternalist, values of Lord Halifax and the many Establishment defenders of the BBC. Unquestionably television advertising has helped to spread the ideals of the new consumer society and to continue the undermining of the older socialist appeals.

Since the study of pressure groups in Britain was seriously launched five years ago by Professor Finer, it has been taken up assiduously by American scholars. Professor Wilson now joins Professors Eckstein and Beer as a major contributor to the understanding of how these necessary but extra-parliamentary forces operate. Perhaps he overrates the wider significance of the television struggle. It was an extreme case in which everything worked aright to favour

LESSON 5

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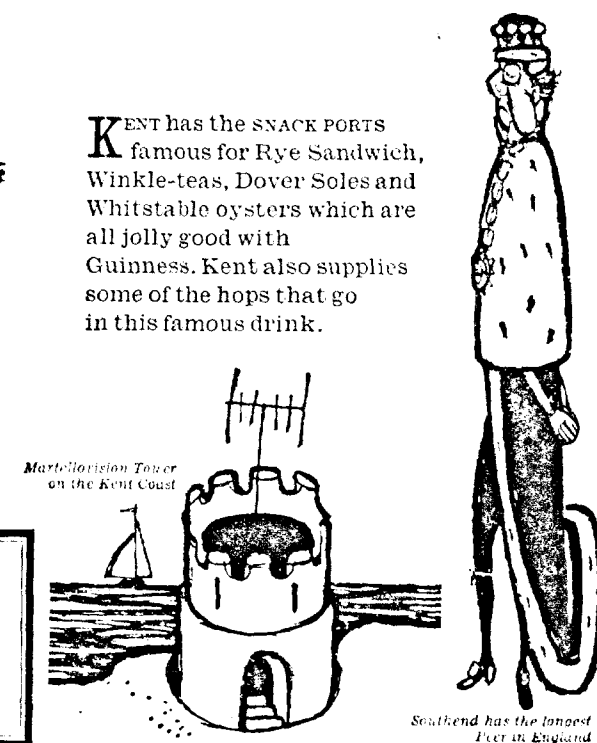
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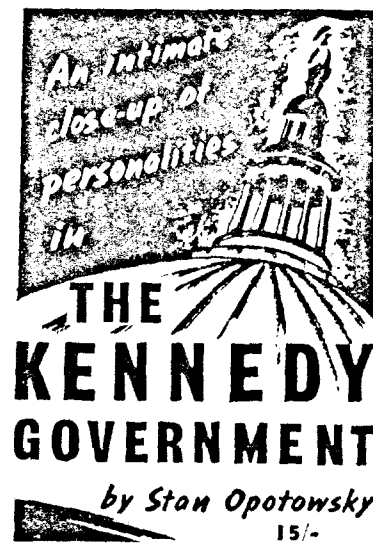
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the lobbyists. Another such issue is unlikely to arise in the same way—although after the Pilkington report appears, the battle over commercial radio and the third television channel may have many resemblances to what has gone before. Professor Wilson's book will undoubtedly provide ammunition in the struggle.

Link Between Revolutions

Marxism: An Historical and Critical Study

By George Lichtheim.
Routledge. 432 pages. 40s.

STILL they come. Here, one is tempted to say, is yet another ill-advised attempt to fan the dying embers of Marxian polemics. But Mr Lichtheim's book is a genuine contribution with novel elements to a study of a neglected aspect of *Marx-forschung*: the interrelation between Marxist theory and the historical circumstances in which it arose and flourished. This application of Marxist analytical method to Marxian theory yields interesting results, and the author has put scholars under a considerable debt with this pioneering effort. The book is, moreover, well and clearly written—a virtue not often found in the literature on this subject.

Mr Lichtheim regards Marxism as the doctrinal link between the French and the Russian revolutions; and he sets out to show how its theory and practice developed under the impact of Central European political and intellectual problems in the hundred years after 1848. After an introductory account of the heritage of the French revolution (1789-1870), he gives a brilliant summary, in less than twenty pages, of what he calls the "Marxian Synthesis." The only criticism one might make of this part of the book is that it hardly touches on the economic aspects, which are left for a much later stage. The next four parts bring the story through the next hundred years, ending with "The Dissolution of the Marxian System 1918-1948."

There is much in this history that will enlighten both those who come new to the subject and others who are already familiar with the tortuous polemics among Marx's followers. Mr Lichtheim most skilfully interweaves the critical analysis of ideology with the historical presentation of the various phases through which the socialist movement passed during this eventful period. These sections form a useful supplement to Professor Acton's coldly logical analysis in "The Illusion of the Epoch."

Inevitably, the most interesting part of the book is the final one, which shows the last phase of Marxism, inaugurated by the Russian revolution and culminating in the "petrification" of the doctrine after the second world war. The essence of the author's thesis is his description of Leninism as an ideology in the Marxian sense, "i.e. as a system of thought which obscures the

facts it purports to describe," in particular in the "systematic misuse of the term 'proletarian revolution' to describe the totalitarian rearrangement of society after the capture of power by a party." Mr Lichtheim has not much difficulty in showing (but he shows it very well) that Marxism, as an intellectual system, has stagnated since the 1930s notwithstanding the fact that it has become the official ideology in the Soviet orbit; and that there is little relation between its relevance and adequacy to the present day and the expansion of Communism.

Prophecy as Business

Prophets and Prediction: The History of Prophecy from Babylon to Wall Street.

By Richard Lewinsohn. (Morus)
Secker and Warburg. 318 pages. 30s.

"PROPHECY," declares Dr Lewinsohn, "has always been a kind of business." In the early days, 2500 BC or so, the seer who probed into the future did so with an eye on the temperament of the king his patron. Today the art of prediction, as practised in government and business circles, is surely more impartial. Yet, when all is said and done, every prediction is a gamble, and a professional gambler cannot go on losing for ever: in the old days, his bad luck might have cost him his head, today it may cost him his job. No wonder that there is a fashion to substitute for prediction the term projection, which has a less committed ring.

This book describes how prediction has advanced from irrational and mystical procedures such as the inspection of the intestines of an animal or a flight of birds, heathen rites and the searchings of the sky. Stuff and nonsense, certainly: yet the language of the stars is still used and the horoscope seems to be an essential feature of the twentieth-century mass-circulation paper.

The Donne theory of time is discussed, the attempts to forecast wars, business cycles, weather, elections, sex, diseases—the whole bag of tricks. But when Dr Lewinsohn, who is a doctor of medicine, touches on the mathematical theory of probability and present day methods of econometric forecasting, he gets himself into deep water. It is nonsense to quote Bernoulli's theorem as stating that the probability of an event is a function of its occurrence in the past. Gallup appears as the priest of public opinion polls, but there is little about the way in which sample inquiries are being used to judge business and consumer intentions. And surely electronic computers should have crept into the chapter on the future of prediction?

But, after all, this is a history book and if there is comparatively little about current methods of forecasting and decision-making in it, it has much to interest, stimulate and amuse its readers. It is a pity, however, that there is evidence of hasty proof-reading,

including a complete inability to spell "stochastic." And why econometrics and econometrists?

Engaging Demagogue

Feargus O'Connor

By Donald Read and Eric Glasgow.
Arnold. 160 pages. 21s.

FEARGUS O'CONNOR was recognised by his radical contemporaries, and has generally been accepted by posterity since, as a colourful, bibulous, lunatic Irishman, sincerely committed to the improvement of the lot of the poor but without any practicable plans for that purpose, and wholly blinded by his own conceit. He was, as Lovett put it, "the great I AM of politics," who introduced into the Chartist movement "his Irish braggadocio about arming and fighting." Astonishingly successful in arousing the passions of the poorest classes, whether by speeches at vast public gatherings or through the pages of his newspaper, the *Northern Star*, which for a brief six months sold as many as 50,000 copies a week, O'Connor achieved nothing. Four years after his death his admirers erected a statue of him with an inscription that carried no more than his name and the date; there was little else to add.

This engaging demagogue is now revived and re-inflated by Mr Read and Mr Glasgow. Stimulated by the sentimental judgment of the late G. D. H. Cole that O'Connor was "the most influential figure in nineteenth century British history still without a biography," they have sought to provide his biography and to demonstrate his influence. But the facts of the one, which are lucidly presented with admirable brevity, remove all grounds for believing the other. If, as the authors claim, "O'Connor shared the centre of the political stage with Sir Robert Peel and with Richard Cobden," then they have strikingly failed to prove their case. It is not, as they put it, that O'Connor was not sufficiently "respectable" to appear in the National Portrait Galleries of London or Dublin, but rather that he was not sufficiently important. As they themselves admit, O'Connor "had no intention of leading an English revolution"; and he got nowhere in his "serious political purpose" to repeal the Irish Union and to establish the six points of the Charter. His dreams of Anglo-Irish co-operation made no progress; his attempts to frighten the government into conceding the Charter "failed completely"; and his hope of making "a paradise of England in less than five years" through the medium of his cranky land scheme was utterly falsified by events.

It is not, then, on the grounds of his political significance that O'Connor is worthy of remembrance. But there is, perhaps, some comfort to be drawn from the story of his failure, as from that of his twentieth century counterpart, Horatio Bottomley, that effective political power in Britain cannot be achieved by demagoguery alone.

THE WORLD OVERSEAS

Bonn in Search of a Policy

FROM OUR BONN CORRESPONDENT

ALONE political sandwichman—such as one would expect to see in Whitehall rather than in the Koblenzerstrasse—plodded to and fro near the federal chancellery the other afternoon. Fore, his home-made inscription ran: "17 million Germans in a concentration camp. But K. Adenauer abuses Willy Brandt." Aft, it was: "Ulbricht is satisfied with Adenauer. We Germans are not." The police ignored him for a while, then moved him on. Passers-by observed, outwardly at least, a strict neutrality. Were no hearts whispering applause?

We shall have to wait until polling day to determine the extent of the damage done by the latest developments in Berlin to the Chancellor's reputation for political sagacity. Probably it is not far-reaching. Yet the sandwichman is certainly not alone in his displeasure. Misgivings expressed more decorously by others suggest that unless he effectively defends his policies during the next three weeks Dr Adenauer will at any rate not win the absolute majority upon which he has been counting. A new opportunity has been presented to the Free Democrats to bid for a share in the government, and they are planning to exploit it as vigorously as the game and the hour allow. It was not surprising that before he left for Berlin on Tuesday Dr Adenauer found time and stamina to make a twenty-four-hour election sortie in Lower Saxony with the object of wooing the many former supporters there of the disintegrated right-wing German party.

Polling day is Sunday, September 17th. At the peak of last week's excitement over Berlin, the chairman of the Free Democrats, Herr Mende, proposed that it should be advanced to September 3rd. In arguing that the distractions and animosities of the election campaign ought now to be curtailed, Herr Mende was unquestionably sincere. At the same time he must have scented the probability of new doubts in the country about the merits of Dr Adenauer's past inflexibility—the uncompromising approach to east-west problems that the Free Democrats have often condemned. But the federal president, who decides the date of the Bundestag elections, rejected Herr Mende's application. No harm would be done by sticking to the present arrangement, Herr Luebke ruled, so long as the contending parties conducted their hostilities with due moderation. The president named no names. Few of those who read his appeal can have failed to reflect once again on the lack of dignity and the ill-chosen timing of the chancellor's diatribes against the governing burgomaster of Berlin, "Herr Brandt, alias Frahm." The coldness between these two candidates for the chancellorship palpably chilled what was intended to be Dr Adenauer's morale-raising trip to Berlin this week; and there has been the incredibly childish dispute between the two major parties for the honour of having invited Vice President Johnson to West Berlin last week.

And so the election campaign goes on, though for the time being with a marked hesitancy among most of the participants. Towns and villages are still plastered with the pre-Berlin slogans—with the Christian Democrats' proud claim to "Success and experience," the Social Democrats' vague exhortation "Forward with Willy Brandt," and the Free Democrats' laconic "Germany," sharing with a black eagle a ground of shrieking scarlet. But at all

the party headquarters heads are pressed anxiously together, reassessing the current propaganda effort and thinking up appropriate readjustments in the light of what has happened. Unqualified appeals to the voter's sense of creature comfort have abruptly been made to appear in thoroughly bad taste. The problem is to find any new sound, positive planks to put into the party platforms. The Social Democrats have already come out with "Go to the poll—help Berlin and Willy Brandt." The All-German party, a shaky amalgam of the remnants of the German and Refugees' parties, is triumphantly proclaiming the "total and catastrophic end of the policy of Dr Adenauer and his government," without proffering the slightest guide to a way out of the mess. As Herr Mende, on behalf of the Free Democrats, modestly put it at the emergency session of the Bundestag on August 18th: "In this hour nobody can claim success for his *Deutschlandpolitik*." The German policy that had been conducted since 1945, he said, would be judged by what had been achieved for the whole German people. Its undeviating aim must still be the restoration of German unity in freedom. This was the special task of the present generation of Germans, and they would be judged by their success or their failure. Herr Mende agreed with Dr Adenauer, who had spoken before him, that the government (hitherto so suspicious and full of doubts) should now actively encourage negotiations with the Soviet Union concerning the future of Germany and Berlin.

Indeed, this was the only practical step that Dr Adenauer had been able to indicate in his government declaration. The greater part of this formal statement had been devoted to chronicling the east German communists' incompetence and perfidy. Appealing to the Russians "to look at things realistically," Dr Adenauer remarked that it was "unworthy of a great nation to protect creatures despised by their fellow countrymen."

The negotiations now devoutly desired to forestall further attrition are not a matter for the Germans alone. Indeed, the Germans would have to stand, for the most part, in the wings, fanning western resolution and preparing themselves for the required sacrifices. It is what the Germans should and could do by themselves in the long run that is perplexing conscientious patriots. The first reactions to Herr Ulbricht's damming up of his leaking domain, and its long-term significance, have naturally been fiercely emotional. They have also been pathetically impotent, and by no means unanimous. The Federation of German Industries has advised its members not to exhibit at, or even visit, the Leipzig autumn fair. Herr Erhard, the economics minister, declared at first that nobody should be prevented from going to Leipzig, but he has added since that he assumes that no one would be so unworthy as to want to go. The chairman of the Hamburg Christian Democrats, Herr Blumenfeld, a prosperous young business man, has demanded a trade boycott against east Germany; but the minister of defence, Herr Strauss, has said such a move would only aggravate matters. The German Sports Federation and the national Olympic Committee have ruled that there shall be no more sports fixtures between the two Germanies. In west Berlin the Schiller Theatre has cancelled arrangements for a Bertolt Brecht premiere

on August 30th. Protest meetings, full of sound and fury, signifying little, are being held all over west Germany. The only practical measures that have yet been taken concern the continuation and, if necessary, intensification of west German industry's support for the precariously placed, but still at the moment thriving, industries of west Berlin.

But again, west Berlin is in the main beyond the federal republic's safeguarding. On August 11th the east German foreign minister, Herr Bolz, told the People's Chamber unequivocally that the foreign ministers of the "socialist countries" would be holding a conference in the late autumn to discuss preparations for a German peace treaty. With or without west Germany, the treaty would be signed before the end of the year. This week the east German communists' chief propagandist, Herr Norden, announced that the treaty would be signed in December. It is their own response to the inevitable and utter partition of Germany that the west German politicians have now to decide. So far they have done no more than declaim that right is on their side, and all will be well in the end. Presumably some more detailed thinking is in progress.

One effort to help such a process along was made by the Stutt-

gart historian, Professor Golo Mann, in an article in the Hamburg weekly *Die Zeit*. Professor Mann combined a judicious but devastating analysis of past policy with some interesting recommendations for a future course of action. He envisaged east-west negotiations of some kind (possibly through the United Nations Security Council, through neutral mediators, or direct) with the object of making the east German regime more palatable to its subjects. The conditions might include free elections if that proved possible—but elections in which the issue of reunification would play no part—and a guarantee of basic civic rights, including the right of free speech. The new element is that he envisaged the recognition of such a reformed and tempered east German regime, after a trial period, by the western powers and by Bonn; the Oder-Neisse line would also be recognised; the "irritants" of which the communists complain in west Berlin would be gradually removed; and finally there would be a redefinition of the status of west Berlin in such a form as to preserve the essential rights of the western allies. But this is the sort of down-to-earth stuff which we shall not hear from the party leaders during the next three weeks.



Henry the Navigator

Lusitanian Dialogue

BY A SPECIAL CORRESPONDENT LATELY IN LISBON

SCATTERED about the globe, unchanged and—until this year—unchanging, the crumbs and gobbets of the Portuguese Empire have become the political coelacanths and dinosaurs of the Bandung age. From the six square miles of Macao to the half million square miles of Angola, the empire that Prince

Henry the Navigator founded 500 years ago still spans the world—the oldest and now also the largest remaining relic of European territorial expansion. It is an impressive imperial achievement but, like the coelacanth, it is hard to relate it to the contemporary world.

The visitor to Lisbon, probing at the nerve centre of this imperial creature, finds himself listening to a language he had thought defunct, and must bellow back across the gulf of centuries in a tongue that is equally incomprehensible on the other side. The result is not so much a conversation at cross purposes, as an exercise in sheer, mutual irrelevance. There should, of course, be some common ground in the shared historical experience of colonialism. But this is only the visitor's point of view. The Portuguese, he finds, straining his attention across the abyss of incomprehension, deny having shared the experience at all. Their colonialism, they assure him, is not like anybody else's, and never was. It is the fruit of a unique vision of creating a specifically Lusitanian civilisation through cultural uplift and biological miscegenation. Its essential quality is permanence; it does not, and by its nature cannot, entertain any prospect of abandonment or withdrawal from the overseas territories.

To suggest that British, French, Dutch or Belgian experience may be relevant is useless. "We do not seek the same ends," say the Portuguese; "how can we use the same means?" And besides, look what has happened to Africa in the wake of the European abandonment—red dictatorship in Ghana, chaos in the Congo, a wave of anti-white racialism everywhere and Russian penetration throughout the continent. "It seems to me that the hasty abandonment of many territories by European powers is a crime more against the black man, whom it was

their policy to instruct, than against the white, even where the latter is threatened with expulsion and is deprived of all his possessions." There it is, the authentic voice of the Portuguese mission—Dr Salazar solemnly lecturing the National Assembly last November.

We have been in Africa for 400 years, which is rather more than to have arrived only yesterday. We carried with us a doctrine, which is not the same as to be carried away by self-interest. We are present there with a policy that authority is steadily effecting and defending, which is not the same as to abandon human destiny to the so-called 'winds of history.'

Pained by the folly and treachery of his fallen friends, angered by the calumny that his enemies heap on Portugal, alarmed by the sinister successes of the Communists, Dr Salazar has similar rotund rebukes for nearly everyone.

Here he is, for instance, on the role of the United States, after the American vote against Portugal during the Security Council's discussion of Angola last March:

Of course the United States would not advise or prepare acts of terrorism, directly or indirectly... (but) although with different intentions, the United States is now engaging on a parallel policy to the Russian one in Africa... weakening Europe's resistance and depriving it of its human, strategic or economic strong points. ... It is therefore irreconcilable with what America seeks to do through the North Atlantic Treaty. ... When France, Belgium or Portugal is harmed or weakened by such an African policy, not only is the reciprocal confidence of America's allies in Europe affected but their defensive capacity is also diminished. The troops that are sent to Algeria cannot then fight on the Oder or the Rhine. ... I believe that if America, tied to ideological oversimplifications, persists in this policy it will become a victim, the last, of this contradiction. (Speech to the National Assembly, June 30, 1961.)

On the United Nations he is more severe:

The invitation to the Portuguese authorities to cease at once the measures of repression in Angola is an attitude we might call theatrical on the part of the Security Council... so seriously does it offend the duties of a sovereign state. Since mid-March



Salazar the Defender

neither the Council nor the Assembly has found any opportunity to order the terrorists to cease their massacres and depredations. ... There may indeed be some foundation for the assertion that the situation in Angola is a potential threat to international peace and security, but only to the extent that some of the voting countries may decide to pass from political and financial aid, as they are giving at present, to direct aid with their own forces against Portugal in Angola. Everything in the world is becoming so topsy-turvy. ... (June 30th, 1961.)

But there will be nothing topsy-turvy about Portugal:

I hope we who are sure that we are right and are convinced that we can prove it will not be intimidated. International life is not all lived in the United Nations Organisation. ... At present the Afro-Asian powers seem to be in the right. But with a little courage on our part they will finally come to understand that there are limits that cannot be outstripped. (June 30th, 1961.)

In this language, self-determination is magisterially dismissed as "the brilliant principle of political chaos in human societies." Those who talk of emancipation "come too late, for the job has

already been done. (Portuguese) unity does not allow of transfers, cession or abandonment. The juridical figures of the plebiscite, the referendum, auto-determination, do not fit into its structure either." (November 30th, 1960). And let us try to understand and sympathise, too, with "the drama of societies... such as, for example, in Algeria, the Rhodesias and South Africa," whose governments are so sorely misrepresented in the name of "baseless ideologies and instinctive passions." (November 30th, 1960.)

A strange set of bedfellows with which to face the world? Very well, but Portugal will be proved right.

In a few years... one of two things will happen in Africa. Either progress will be paralysed in many parts with the total ruin of economies, the degradation of peoples and the horror of internecine strife, or we shall see attempts at, or experiments in, international colonialism, irresponsible and for that very reason inhuman, before which the black man, cultured or not, will be no more than a statistical element. Then many of those who... demand the emancipation of Portuguese territories, with no

Spanish Shoe-Blacks

FROM OUR BARCELONA CORRESPONDENT



ONE of the impressions that every visitor to Spain carries home, or, at least every male visitor, is the ubiquity of the shoe-blacks. They prowl the streets and squat in the corners of tobacconists', hairdressers' and practically every bar. They are apt to be insistent, and a foreigner may find that they have started work on his shoes before he has had time to protest. They can also play tricks, such as ripping off a sole or a heel.

Spaniards themselves sometimes complain of being overcharged or of finding that they have been given new heels or laces while they were reading the newspaper. But such practices are mostly confined to the *ambulantes*, the shoe-blacks who roam the streets. This is an occupation that commends itself to the vagrant and unskilled, often as a cloak for hawking contraband and touting. To prevent an influx of such people and reduce the number of shoe-blacks, the big cities have a system of work permits, which are only granted to those with a fixed place of work. Some of the latter simply have their post in the street, others are attached to cafés and other establishments, others are employed in *salones de limpieza*, special shoe-cleaning shops with shadowy interiors where the clientele sit on thrones (there is an

old-established one in the Plaza Real in Barcelona founded two generations ago by a conjurer).

These regular *limpiabotas* are honest and efficient. They charge only the authorised price (it varies in different cities between three and four pesetas, being fixed locally by the civil governors). To watch them going through their ritual with leather, brush, polish and paint is alone worth the money, and they produce a glitter on the shoes that no sergeant-major could scorn. This public shoe-cleaning is one of the bases of Spanish male elegance. There are certain tasks that the Spaniard considers beneath his dignity and simply will not perform, and cleaning his shoes is one of them. If he cannot afford the *limpiabotas*, he will give his shoes to the maid, or even his wife, or let them go dirty—and one does in fact see quite a lot of dirty shoes, particularly at present with the internal trade depression. But, if possible, he will sit at ease in a café and have them cleaned. The *limpiabotas* is part of the social life of cafés and hairdressers. A triangular conversation is often carried on between the customer, the hairdresser and the shoe-black, and the hairdresser, before setting to work, may ask "What would you like to dis-

cuss this afternoon—bullfights? Football?" In fact, to the Spaniard, having his shoes cleaned is more than a necessity of good appearance or even a diversion. It is an addiction; in Madrid and the south there are men who would feel unkempt with only two shoe-shines a day.

Winter is the best season for the shoe-blacks. In the summer months trade is bad—so many people are on holiday and those who remain take to fancy footwear that presents technical problems (three times the normal charge is made for cleaning the fancy models with white and coloured canvas uppers). And then, of course, there is not the kindly aid of rain and mud.

Shoe-blacks' earnings are low. The best off are those employed on a wage basis at the *salones*, bars and so on. With their share of the tips they may make three to four pounds a week. They also enjoy full security benefits, because the employer pays their insurance. Many of those who attend regularly at bars and other places, however, as well as those with posts on the street, are working on their own account. They belong to the *sindicato* and pay a *cuota*, but it is necessarily a small one and any benefits are correspondingly small. Many of these men work a seven-day week.

Nevertheless, few leave the trade—despite the fact, for example, that during the tourist season there is a rising demand for waiters who get good pay. Many, no doubt, are unfitted for other work. It is, apart from the recent restrictions in the main cities, easy to set up as a shoe-black. A large proportion of them come from the poorer areas of the south and the back streets of Malaga, and there are even some who have found it difficult to enter other trades owing to a political past. Largely, however, it is a question of temperament. There is a certain sturdy independence about the Spanish shoe-blacks, men who work in their own way, move on when they want to, and generally live as they please.

other advantage than to wrench them from the motherland and thus diminish the resistance of the Iberian peninsula, will come to think that we did a great service to mankind . . . having spared them new forms of slavery. (November 30th, 1960.)

And supposing the rest of the world is not convinced? Then. "I can see no other attitude for us than to continue on our way." (June 30th, 1961). "There is nothing more to be done than to proclaim (Portuguese unity) to the four winds and, as far as possible, to protect it on all our frontiers." (November 30th, 1960). And, most resounding and most final: "Stand firm! Stand firm! Nothing more is needed for the storm to subside and for justice to be done to us." (May 23rd, 1959.)

In the two years since Dr Salazar sounded that exhortation, the storm has grown fiercer and no justice has been done, but the Portuguese attitude remains unchanged. There are motions in the direction of some administrative autonomy for the overseas provinces, and talk of speedier economic development, even of the admission of foreign capital, at last. But on the ultimate questions, the government is unyielding. As the visitor goes the rounds of the ministries in Lisbon, the echoes of Dr Salazar sound repeatedly in every conversation—severe, sonorous, paternal and imbued with such an absolute conviction that he begins to wonder, with an anxious tremble, whether he has not altogether misread the world outside. Perhaps, after all, it is only the Portuguese who possess the key to life, bequeathed to them by Prince Henry 500 years ago and maintained ever since as a sacred trust? Perhaps. It is a discomfiting thought to go to bed with. But one recalls on waking that the dinosaurs also had the key to life once—until the locks were changed.

Mapai's Tarnished Halo

FROM OUR CORRESPONDENT IN TEL AVIV

MR BEN-GURION, as depicted by an Israeli cartoonist, is a lion whose claws have been clipped. His party, Mapai, lost five seats at the elections on August 15th, and now has 42 members in a Knesset of 120 members. But the prime minister's frustration, when he explosively called the results a disaster, was not due to his party's setback but to the destruction of his hopes for introducing a two-party system into Israeli politics. Now the prospects of this are dimmer than ever. Mr Ben-Gurion's claim that the voter would have given him a clear majority if a referendum on electoral reform had been held also appears unfounded.

While Mr Ben-Gurion's friends are dejected, the new Liberal party, which won 17 seats, also feels thwarted. The Liberals had hoped to serve as a rallying point for all who wanted a radical change in government, and to act as a counterweight to the party that now controls the government, the Jewish Agency and the labour federation. They had hoped to bring together supporters of private enterprise, members of collective settlements who were on the side of Mr Lavon, students and university professors, and all those who had developed a grievance against the Establishment. They found out that Mapai's party machine was able to hold together the mass of voters who represent its main strength in the villages and towns; that opposition to Mapai in the collective settlements resulted only in abstentions; and that Mapai's position among most of the new immigrants remains unimpaired. The newcomers either voted for Mapai, or else for Herut, which succeeded, against expectations, in holding its position.

If the modest success of the Liberals is to develop, they must learn how to overcome the barrier that now separates them from the immigrants from Moslem countries. The political influence of this group is bound to grow as their children reach voting age. Mr Ben-Gurion understands this very well, and has promised free

higher education for gifted children. Over the past ten years the new immigrants have been given work and housing. Now they seek a higher standard of education and living, and they will vote for the party that they hope will give it to them. Liberal ideas do not concern them—yet.

Mapai will have to confront two main issues in the near future; first, the unrest within the party, caused by the Lavon affair but suppressed during the election campaign, is now likely to erupt again. Mr Ben-Gurion's friends accuse Mr Lavon and his supporters of having harmed the party. The other side claim that Mr Ben-Gurion himself caused all the trouble by his dictatorial methods, and by his clumsy handling of the Lavon affair. Mr Lavon himself, who returned from a long journey abroad just before the election, keeps in the background, but he may not stay there. The election post-mortem within the ranks of Mapai will be neither gentle nor conciliatory.

The second problem is the building of a new coalition. Mr Ben-Gurion will again be prime minister. He will start on a series of negotiations to find out which parties are ready to join a coalition and on what terms. In the past this has always taken several months of tough diplomacy during which not only practical economic and political issues, but general questions of ideology, are explored at length. There is no time-limit for these negotiations, since, in Israel, the old government continues in office until a new cabinet has been formed. Thus, Mr Ben-Gurion, whose resignation in January brought about the elections, is still prime minister. On the other hand, urgent issues such as the possibility of currency devaluation, and recent moves over the Arab refugee question, make it important that a new coalition should be formed quickly.

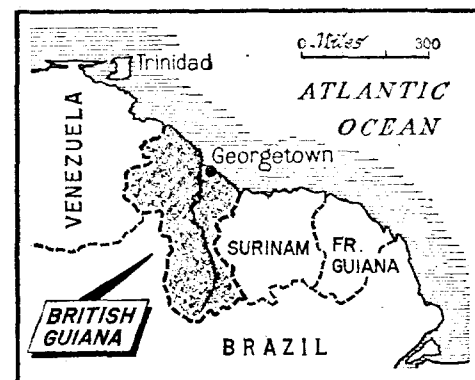
Early speculations about the composition of the new cabinet predicted a coalition between Mapai, the Liberals and the religious parties. But, two days after the elections, Herut proposed a joint front with the Liberals. This would create a block of 34 votes, and would be a considerable power in the Knesset. However, many Liberals may rebel against the idea of joining with the militant right-wing Herut.

Whether Mapai's wings, as well as Mr Ben-Gurion's claws, have been clipped remains to be seen. The party's extraordinary success over the past ten years has given it a halo of invincibility. This halo has now been tarnished. It has been proved that the rising strength of Mapai can be checked, and that a steadily increasing standard of living does not prevent opposition. If the Mapai leaders understand this they will try, first of all, to put their own house in order and end the internal strife which, more than anything else, was responsible for their setback last week.

British Guiana on its Own

DR CHEDDI JAGAN'S decisive victory in last Monday's elections gives him a free hand in shaping British Guiana's first years of independence. As free a hand, that is, as is possible in a country four-fifths of which is swampy and largely impenetrable jungle, whose population of half-a-million is crowded into a narrow coastal strip that has constantly to be guarded against the encroaching sea and the flooding rivers, and whose economy is dependent on British investments in sugar and Canadian investments in bauxite. Without a lot of money and technical help from outside, there is not very much that Dr Jagan can do to make his country more self-contained and less backward as an independent state than it was as a colony. The cards would seem to be unfairly stacked against British Guiana if it were not that its coming independence coincides with the new respect which both the United States, and to a lesser degree the Soviet Union, are beginning to pay towards even the smaller countries of South America and the Caribbean.

British Guiana is now self-governing and will probably be completely independent in a year or less. Dr Jagan's People's Progressive party has won 20 of the 35 seats in the new parliament. The voting was mainly on racial lines: Indians (many of them



the descendants of indentured labourers brought over in the eighteenth century) outnumber Africans by three to two, and Dr Jagan himself is an Indian. His support comes from the rice farmers and the labourers on the sugar estates, while Africans predominate in the towns. But because of what seems to have been an unofficial electoral agreement between Dr Jagan and a small third party which is right wing and fervently anti-communist, Mr Forbes Burnham, the leader of the African party, did less well than a straight counting of black and brown faces would suggest. Mr Burnham, whose party won 11 seats, claims to have unearthed some dark deeds, and is trying to have new elections, in several constituencies.

Dr Jagan calls himself a Marxist, and there are undoubtedly a number of orthodox communists within his party. He will certainly look for outside help from wherever he can get it, and is planning a visit to the United States. Equally plainly, he looks forward to a time when the state has more control over the country's industry, and the sugar companies have already been asked to surrender a little of their land so that the government can start up some sort of co-operative farming venture. In Castro-hunting circles in America and Britain there have been panicky comparisons between Dr Jagan and Dr Castro. But although Dr Jagan professes to admire the Cuban leader, and has made a trade deal with him, the two men are temperamentally far apart. Dr Jagan has come to power by a more conventional route and, profiting from Cuba's mistakes, is unlikely to do anything in too much of a hurry, and especially not to nationalise the country's industries until he has the men to run them. The basic test is whether Dr Jagan can show that he is a national, rather than an Indian, leader.

Mozambique Next?

FROM A CORRESPONDENT IN DAR-ES-SALAAM

THE National Democratic Union of Mozambique, or Udenamo, to which it is commonly shortened, "welcomes all Mozambicans to join with us in independence struggle for our motherland"; these are the words that straggle somewhat unevenly across a piece of paper stuck in the window of their headquarters, a room and a half in Dar-es-Salaam. The half-room, a windowless box entered through a usually locked door, serves as the office of their president, Mr A. C. Gwambe. The slightly larger room is furnished with three desks, covered with a collection of magazines and newspapers, mostly in Portuguese, though there is a "Teach Yourself Political Thought" and the Penguin edition of "Lady Chatterley's Lover." Here work the secretary, Mr C. Mahlayeye, who also has a Czech portable typewriter on his desk, the treasurer, Mr B. J. Mapanje, and the publicity organiser, Mr J. R. Sigauke. The vice-president, Mr F. G. Malhuza, drifts in and out, as do various others who look like officials, and a considerable number of what appear to be hangers-on who, one suspects, come in to

take advantage of the bench provided; a selection of Swahili papers is also available.

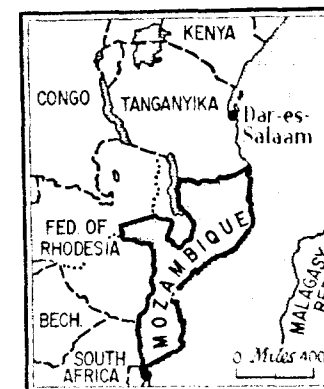
In these unimpressive surroundings, Mr Gwambe claims, the union has accomplished as much in the ten months of its existence as many political organisations do in five years. But the truth of this statement is not easy to ascertain; no one is willing to reveal such facts as the number of genuine supporters that Udenamo has in Mozambique (the claim was made that it has eighty officials canvassing for support there) or in the various foreign countries, including Britain, where they say they have agents; the source of their funds, their financial position, or the extent of their equipment if armed rebellion is deemed necessary. This last possibility has been much discussed and has certainly not been rejected.

Udenamo was founded in October, 1960, by a group of refugees from Mozambique in Bulawayo; the founder members were the men who are now the union's officials. Finding themselves unable to operate openly in Southern Rhodesia, in February of this year they moved to Dar-es-Salaam, where they are housed at the expense of the Tanganyika African National Union. This support from the government party may prove a little awkward now; the minister for home affairs, Mr George Kahama, ordered Mr Gwambe to leave the country before August 1st because he is reported to have announced at a public meeting that there would be a revolution shortly in Mozambique with assistance from Ghana. The Ghanaians deny having promised any such aid, and Mr Gwambe denied making the statement. All the same, he left on August 10th for, it is said, Morocco.

Udenamo claims widespread support throughout Mozambique in spite of the lack of education there. Most of the available education is limited to Catholic dogma in the government mission schools, and this is interspersed with the compulsory manual labour which, says Udenamo, occupies most of the children's school life. No African with any education is permitted to leave the country unless he can convince the authorities of his loyalty. The type of schooling common in Europe is given only to a few Africans, who then take Portuguese citizenship and are expected to swear allegiance to the Portuguese regime. A few Africans (of whom the vice-president of Udenamo was one) are fortunate enough to get into one of the Anglican mission schools; these are not under direct government supervision, and so are able to give a slightly wider education. African newspapers are not allowed; all papers are censored by the government. To talk politics may lead to arrest; Chief Zintambira, of Vila Continho, was shot dead some weeks ago for addressing a group of people about Udenamo.

Another party opposed to Dr Salazar's regime, the Mozambique African National Union, is not considered as a rival by the leaders of Udenamo; they say that Manu started life as a social and tribal organisation and has only recently entered politics, and that its officials are mainly Kenyans. It is thought that Manu intends to set up an office in Dar-es-Salaam.

Since the majority of refugees from Mozambique go to Southern Rhodesia and not to Dar-es-Salaam, it is impossible to assess the true state of Mozambique from here. One suspects that, in the words of a south-west African who gave evidence before the UN committee on south-west Africa, the Udenamo leaders feel "one has to exaggerate to prove one's point and bring home to the rest of the world the realisation that a proper investigation is necessary." All the same, it is clear that, with the example of Angola before them, the enthusiasts of Udenamo are confident that the potential conflagration in Mozambique will one day be set off.



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THE BUSINESS WORLD

Where Is Leyland Driving?

WHEN you remove all but one of the directors who have any experience of the car business from the board of a motor company, the obvious inference would be that you intend, sooner or later, to stop making cars. But Leyland Motors bought control of Standard-Triumph International early this year with the avowed intention of forming a group that could make any vehicle from a heavy lorry to a light car; and, now that it has removed Mr Alick Dick and his colleagues from the board of S-TI, Leyland is at pains to insist that the obvious inference should not be drawn. It says that it is not going out of the car business, "though increased concentration on the commercial vehicle side—in vans and light trucks—is one of the possibilities that Sir Henry Spurrier (the chairman of Leyland) spoke about recently after the merger." Certainly Leyland has invited four of the directors, who were responsible under Mr Dick for much of the management of the company, to stay on as executives; as some of them were abroad or on holiday when this decision was taken, it is not yet known whether they will accept this demotion. Before the break-up of the board, it appears, a production and development programme for the next 18 months had been agreed and some tooling ordered for new models: one cannot tell how much of this could now go back into the melting pot.

Leyland lives in a very different world from that of S-TI; the wage rates of Coventry must seem ruinous to anyone accustomed to competing for labour with the cotton industry. Under the rule of Sir John Black, the creator of the present firm and mentor of its departed board, Standard had become about the most generous employer in the motor industry, in wages and also in working conditions. As life became leaner for the company in the last few years life became a little less cushioned for its workers. But they are still well off even by the standards of Coventry, which probably enjoys the highest wage rates in Britain. The attempt to get the unions to agree to a cut of £5 a week in wages that the company made in its blackest days last winter ended in ignominious failure, and the original S-TI directors may well have been more reluctant to face the risk of another such debacle—or the strike that would be the consequence of persistence—than those who came from Leyland. No doubt there was some difference of opinion about the chances of getting any significant reduction in labour costs between those who have tried—and S-TI did sack 2,000 men last winter, as well as letting another thousand more go by wastage—and those who have just arrived, determined to cut costs. The power of the unions in S-TI, another characteristic of the motor industry and one that was encouraged by Sir

John Black, must also come as a shock to a Lancashire employer whose paternalism is still authoritative; and again those who have grown up to live with unions in this way must view the chances of changing it rather differently from people who are shocked by the whole idea.

The methods used to sell and to produce cars are utterly different from those of a firm like Leyland making and selling the heaviest and most expensive types of commercial vehicle. This may have provided further grounds for disagreement: the amount spent by a car manufacturer on advertising and selling its products may seem exorbitant to anyone used to building to order for industrial concerns, instead of turning out cars *en masse* and then persuading the public to buy them. Selling organisation and advertising might seem to the lorry maker a logical point at which to start cutting overheads, but the car maker would regard such a policy as disastrous. S-TI has been noticeably active—and successful—in its advertising policy since the introduction of the Herald 1200 in April; but the kind of budget needed to maintain large advertisements in daily papers may have shocked Leyland, even though S-TI's advertising expenditure per car sold is modest in relation to that of other car makers.

STRINGENT economies in the cost of selling and advertising would be justified only if Leyland had decided to reduce the scale of S-TI's car production. It had apparently been agreed to continue the attempt to find specialised niches in the car market not being exploited by the two bigger companies, such as that the Herald was designed for, presumably in the hope that the new cars would not be as promptly followed by competing and cheaper cars from the big two as the Herald was; and to continue in the sports car market that it had so successfully exploited with the TR3 with a revised version of this car. After the slump in sales of the Herald last year that followed its encouraging reception in 1959, the revised 1200 version has been selling well for the past four months—perhaps aided by the delivery delays on BMC and Ford cars, but also by the fact that the changes in specification simply made the car more competitive. The effect of these has been nearly to double S-TI's share of the British market over the last six months. So if Leyland had broken up the S-TI board by any decision to reduce emphasis on cars, its timing would seem a little odd. The autumn may well see sales fall, and S-TI's share of the market fall as well, when other makers introduce their new models; but

the group's exports, at any rate, ought to be helped by the new sports car.

Any idea that the S-TI plants could readily be turned over to vehicles very much heavier than cars would be quite unrealistic. They cannot build anything bigger than a 15-cwt van with existing machinery and assembly facilities; if Leyland wants to make light trucks, it will have to build new factories or largely re-equip some of the existing ones. The van market would be as difficult to compete in as that for cars, when BMC and Ford can use the same mechanical components—and, for the smallest sizes, the same body pressings—for their vans as for their cars, and thus get savings in cost that would not be available to S-TI. Even if the company chose to specialise in diesel-engined vans, as Leyland has hinted that it might, these factors might still tend to make its costs higher than those of the competing vehicles that BMC or Ford might offer.

One cannot help wondering how far Leyland realised what it was doing when it decided to buy S-TI, though its silence on its plans makes it difficult to judge. Assumptions that this group could easily be made into a group comparable with Daimler-Benz or Fiat, are surprisingly naïve; both these companies are far larger and more widely based, and possess engineering resources that such a British company could not match. Leyland will no doubt be anxious to make

its recent acquisition more profitable as quickly as possible, to justify the deal to its shareholders; but an outsider needs to be convinced that the removal of a managing director as closely concerned as was Mr Dick with running the company is the best way of doing so. Most of the firm's present management down the line consists of men who had been taught, like Mr Dick, by Sir John Black or had been picked by Mr Dick himself. The effect on their morale could be disastrous; if many follow their managing director out of the company, efficiency is bound to decline, and it is very doubtful whether Leyland has the spare managerial resources to fill the gap. Leyland now has a clear field in which to make whatever changes it wishes, but drastic re-organisation is hardly the way to raise profits—at least in the short term.

The new managing director, Mr S. Markland, faces a difficult task indeed. He and his board of three other Leyland directors and the one left from S-TI, Mr. F. B. Dixon—the former managing director of Hall Engineering, the Merseyside firm that S-TI bought to provide facilities for building bodies—have to keep the firm running through a difficult part of the year while they try to win the loyalty of the staff, learn about the details of the company's affairs, and introduce whatever changes Mr Dick thought incompatible with the interests of the company. Leyland's shareholders are awaiting a statement from Sir Henry Spurrier with avid interest.

Television Plain or Purred

A BOY is said to have bought two television sets in Luton last week for 1s. 1d. No one visiting the current Radio Show in London is likely to pick one up there for less than £60, but earlier this year the radio industry was itself selling off stocks of new receivers at prices which manufacturers shudder to remember. The experience has left its scars. Although brand names are as numerous as ever, several companies have ceased to market domestic sets and mergers have reduced the number of big producers to five. The largest is still Thorn, followed perhaps by the Pye-Ekco group with Philips Electrical and the GEC-Radio and Allied team close behind. Since a number of small companies have receivers manufactured to their specifications by Plessey, this company ought possibly to be included in any list of major set makers. These five, together with Bush and Murphy, are the only companies still with a big stake in the domestic market for television receivers; it is a market now so different from the market for other forms of electronics that the two properly constitute separate industries.

Last year's slump was caused by market saturation, coinciding with the re-imposition of credit restrictions after an exuberant year of freedom. It is being perpetuated by the long shadow of an impending change in television standards. Buyers—which in this instance means radio dealers—would not pull such long faces at the prospect of a change in standards if bitter experience of a quite minor technical change was not so raw and fresh in their minds. Two years ago, the industry embarked on a television boom that led to the production of nearly 3 million television sets and the sale of almost as many. Credit restrictions suddenly re-imposed brought this to an

abrupt halt, but the industry, being geared to a high rate of production, went on producing three sets for every two that it sold until well into the winter. By this time, stocks in the factories and the shops had reached figures estimated at between 1.2 and 1.5 million, or a normal year's supply. These stocks could have been liquidated over a period by cutting back production at the factories. Instead, the sets became obsolete overnight a week or so before Christmas when a long-agreed change took place in the cathode tube production lines, which switched from a standard 17-inch to a standard 19-inch cathode tube, and the first 19-inch screen television sets came on the market. This was the most expensive two inches in the industry's history, for the only way to dispose of close on 1½ million sets with 17-inch screens was by cutting prices, not by a pound or so but by as much as £20 at a time. Dealers cut list prices in many cases by a third, manufacturers had to take whatever price the shops would offer. In this way, stocks have been halved, but there might still be between half and three-quarters of a million of these obsolete sets still unsold.

The industry's resilience commands admiration in the face of circumstances that would have caused other manufacturers to despair. With a virtual buyers' strike, it has channelled more and more of these unsaleable sets off into the rental side of the television business. Some of the biggest companies estimate that two-thirds of their sets are now being hired rather than bought outright. In this way the viewer protects himself against the risk of buying a set that is likely to become obsolete if television standards change. But the risk is merely shifted from the viewer who rents the set to the company

that hires it to him. A great part of the effort at this year's radio show is directed towards re-assuring dealers that if standards are changed, sets bought now can be re-engineered to the new transmission systems.

THE Post Office has records of 11½ million television licences, which means that seven homes in ten are known to have television, before allowing for the families that have a set but not a licence. This more or less spells saturation and it means that the industry is now dependent on replacement demand. Since the effective life of a television set is seven years, although it may give a picture of sorts for ten, the industry might expect an annual replacement demand for 1½ to 1¾ million sets a year, plus whatever extra it can sell by persuading people that they need a second set. In its present contracted form, this is the kind of output to which the industry is geared. But if viewers think that television standards are liable to change, they may not be disposed to replace their present sets with current models that may be out of date in four years' time—the date when the BBC and ITA charters expire. They may at least be tempted to keep their old models until next July, when the Pilkington committee gives the Government its views on, among other things, television standards and the introduction of colour.

The industry is sharply divided and exceedingly worried about the proposed change in standards. The BBC may huff and puff in favour of a colour service now, so projecting itself as a more enterprising and go-ahead organisation than the somewhat stuffy and middle-aged commercial companies. But across the Atlantic is living proof of sales resistance to colour television that is three times the price of a black-and-white set; after eight years of colour services in the United States, only 1½ per cent of the 50 million sets in use are colour receivers. The American system of colour television needs what amounts to three cathode tubes, one for each primary colour, although the three may be enclosed in a single package. This is the basic reason for its high cost, and after many years of experiment the industry is beginning to believe that the only way to get colour television at an acceptable price is either by a completely new system of transmission or a completely new kind of tube. By sponsoring a French colour system that has already aroused much interest among engineers, GEC becomes the first radio manufacturer in this country to back one of these outsiders; it may prove a shrewd move.

The industry and its dealers know, however, that colour is some way off; not so the change in black-and-white transmission standards. The Government's Television Advisory Committee has recommended a change in the number of lines, to bring the picture on British screens up from 405 lines to the 625 lines used in Europe. It has complicated the issue by not recommending complete standardisation with Europe, so that there could still be important basic differences between television in this country and on the Continent. No decision on this will be taken until the Pilkington committee on broadcasting presents its report, although it is widely believed in

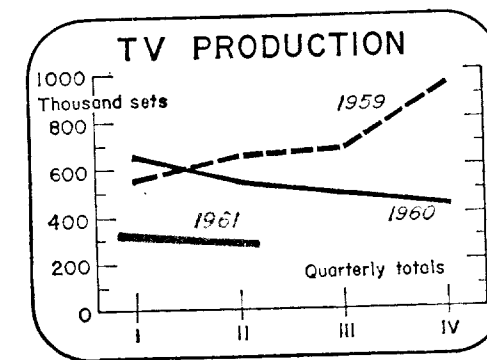
the industry that the committee is expected to take the TAC report as its guide on technical matters.

Conceivably the committee might reject the recommendation to change the number of lines—and many engineers in the radio industry sincerely hope that it will. The main short-term objection to the change is that while, on the present system, a third television service could be started up with no trouble at all in the very high frequency wavebands where it could be received by all sets now in use, if the change is made to 625 lines, a third service can only be started in the ultra high frequency wavebands which cannot be received by any set now in use and which present technical difficulties in transmitter and receiver and aerial design that the industry is in no way confident of solving. The long-term objection to the change is that it reduces the number of television services that could in theory be provided, but this is not an argument that concerns the industry very deeply at the present time.

WHAT worries dealers, and it also worries private buyers, is the likelihood that if they buy an "ordinary" set between now and the next Radio Show, that set could become obsolete if the Pilkington committee reports in favour of a change in standards. But the change can only be made gradually. Even if the Government accepted the report outright, new 625-line transmitters would not start working even in London before 1964 and it could take three or four more years before these covered the whole country—particularly since ultra high frequency services require a large number of small transmitters rather than one big one. From this it could be argued that sets bought now would be almost due for replacement by the time the new services were available, but this argument does not seem to cut much ice with customers.

The industry is therefore trying to re-assure them in two ways. The majority of companies are building sets with chassis that can be fitted with ultra high frequency circuits if the new 625-line system gets the go-ahead. The cost is estimated variously at between £15 and £20. Some companies, like Philips, are telling dealers flatly that the bill to them will be a maximum of £15, hoping that this promise is not going to cost the company a great deal of money. In this way, the price of sets can be kept down

to as low as £60 for the cheapest models, with the possibility of a fairly costly modification later on. Pye, on the other hand, has decided to standardise production on a set that is already partly converted to receive 625-line pictures on ultra high frequencies, and which will need only a few modifications and the addition of a tuner to receive the picture. This increases the price of the set to 73 guineas, which is only a few pounds more expensive than the Pye models it replaces, but is substantially dearer than the cheapest, run-of-the-mill models of other makers. Here Pye has taken a gamble, for the Government need not recommend the precise system of transmission assumed by Pye in designing its sets. But the policy appears to have impressed the radio dealers, especially those who rent sets and want some guarantee that their stock will not become obsolete half-way through its life. For this



assurance they appear willing to pay something of a premium.

Controversy grows sharper, but not clearer, as companies carry out more research into the technical implications of moving to the ultra high frequencies. Not everyone would argue that a 625-line picture is any great improvement on a 405-line one, but most engineers seem resigned to the change as the inevitable price of keeping up with the European Joneses. This explanation just is not good enough. Someone ought to spell out to the customers just what are the advantages of changing the present method of transmission and why the Television Advisory Committee recommended it,

just as someone should say why the majority of the industry is objecting vehemently to the change and why it is so mortally afraid of moving to the ultra high frequencies. What are the massive technical difficulties about which manufacturers throw out dark hints? Television sets are large capital items for most households and it would serve both sides right if customers stopped buying them until all the parties in this dispute came down from the clouds and explained just what they were arguing about. It is, after all, the customer, not the industry or the ITA or the BBC or the Post Office who pays in the end.

BUSINESS NOTES

IN THE MARKETS

Restraint in London

THE holiday, the Berlin crisis, the Chancellor's deflationary measures, have all combined to make a quiet and restrained week in the stock market. Few investors want to commit themselves very far until it is clear how the government's new policies, particularly on wages, will work out. Investors, moreover, have learned rather painfully that trustees are more realistic and sober in their actions than speculators. There has been a little selling of gilt-edged stocks and a little buying of equities by trustees this week but not on a sufficient scale to have a decisive effect on prices. Equities, having fallen a little just before and after the weekend, recovered slightly later but this rally soon tailed off and over the week to Wednesday's close *The Economist* indicator fell by 3.2 points to 366.0. Gilt-edged prices, however, turned down slightly and by Wednesday War Loan was back to 52½, compared with 53 a week earlier. This provides yet another indication of the built-in handicap of the gilt-edged market. As soon as demand increases the authorities feed more stock into the market through their funding sales and this checks the rise in prices; when the demand dries up the authorities do not reverse operations but stay out of the market and the jobbers quickly take the precaution of marking prices down.

The major influence throughout the industrial as well as the gilt-edged market is that investors and underwriters alike have to pre-empt much of their money for new issues. In the not too distant future the flow of new issues may diminish, because, first, the lenders already have plenty to digest and, secondly, because borrowers may not be prepared to pay the terms demanded. But at the moment the market has to be concerned with the heavy demand now being made upon it. It was made heavier this week by the announcement that Eagle Star Insurance proposes to raise just over £10½ million by a rights issue of one new

ordinary share at 50s. for every four held. The calls are well spread and as the shares stood at 111s. 6d. on the eve of the announcement there is a bonus element in the terms which slightly raises the dividend yield on the shares. But, after taking all this into account, the market's reaction was to mark the shares down to 105s. 6d., making the rights worth about 12s.

Like other insurance companies, Eagle Star has participated in property finance and one of its links is with Beaumont Property. This company proposes to raise about £1¼ million by a one for four rights issue of ordinary shares at 9s. each (against the current market price of 10s. 3d.). In addition it has arranged to borrow from the Prudential Assurance up to £2½ million in the next four years on a 6½ per cent debenture. The directors and their associates have made available to the "Pru." 350,000 ordinary shares at 10s. 6d. each. In announcing this arrangement the directors say that it has always been their policy to buy existing properties for investment and not to take part in property development. They intend to adhere to this policy "at any rate while the government's present request to restrict building operations remains in force" and they have given the lenders an assurance to this effect. They appear to have secured the debenture finance reasonably cheaply. Only this week James A. Jobling, the manufacturers of "Pyrex," controlled by Thomas Tilling, announced the placing of £1¼ million of a 7 per cent debenture, 1971-86, while Whitbread, the brewers, announced the placing of £2 million of a 6½ per cent debenture, 1984-87, at 96 to yield just over 7 per cent.

Optimism in Wall Street

A correspondent cables:

WALL STREET remains optimistic about the domestic economy and international problems though the rise in equity

prices was tempered this week by profit taking, particularly in stocks in industries where trouble may arise. Motor shares, for example, were under pressure partly in reaction to the earlier sharp rise based on next year's prospects and partly because of the strike threat. Cosmetics issues, which had made big gains earlier, also reacted on the announcement of legal suits from the Department of Justice. The Dow Jones industrial average, which rose to a new peak of 725 this week before falling back to 720 on Wednesday, is not accurately reflecting the high degree of selectivity in the market; it has been pushed up more by a strong demand for tobacco and chemical equities than by overall buying.

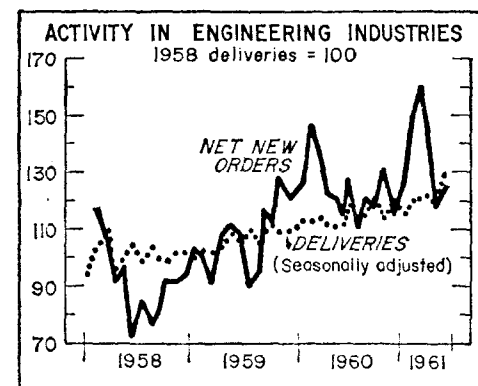
INVESTORS are still favouring cyclical blue-chip issues on the grounds that the coming business boom should boost earnings sharply. Whenever the analysts on Wall Street are unanimous about the future course of prices, the market usually surprises everyone by going off in an entirely different direction; but it is difficult to argue with conviction that the current rally is spent. A motor strike could be temporarily upsetting, but Wall Street seldom sells on news of a strike as it is generally believed to have bullish implications for the longer term. Similarly, the growing evidence of the administration's tougher anti-trust policies may be a blow to particular companies but it is not yet regarded as a serious threat to the market. With selectivity very much in the vogue, it is probable that buying will switch from one group of shares to another quite rapidly. The focus of attention is likely to be on issues with favourable profit prospects and low price/earnings ratios, such as paper, rubber and textile equities. Investors will probably continue to take their capital profits and this may check the rise in prices; but with the economic indicators pointing to greater business activity and with inflationary signs beginning to appear, Wall Street's faith in equities is unshaken even though the future rise may be slower and more hesitant than the recent advance.

ENGINEERING

Pressure Slackens

THROUGHOUT the months of unchanged industrial output last year and the beginning of this, production in the heterogeneous group of engineering industries kept on growing in response to heavy ordering from industry for new plant and machinery and various other pieces of factory equipment. The plant and machinery firms raised their output further still this spring and summer, when industrial production generally began to edge upwards: by June their output had reached its highest level yet, eight per cent above last summer and a good thirty per cent more than in 1958.

But there are signs that the impetus, and indeed the pace, of this engineering boom may be altering. Apart from March and April, when new home orders were sharply inflated by some very large orders for a new power station, the rate of ordering from firms in this country has noticeably sobered down this year. Net new home orders in May and June were, in fact, fractionally lower than a year ago. Export orders, in contrast, are still rising: they were two per cent higher than last year in the first quarter of 1961 and four per cent higher in the



second quarter. This is a much smaller rate of growth in overseas business than was customary in 1959 and most of 1960 but it would seem that export enquiries have perceptibly increased in more recent months. Certainly if pressure from the two-year capital investment boom is slackening off, engineering firms should soon have more capacity to spare to meet export business if they can get it. For the last few months total engineering orders outstanding have remained at about the same level after rising pretty consistently month by month since the autumn of 1959. Indeed in May and June deliveries of engineering goods actually exceeded new orders received. The length of most firms' order books should not portend any slowing down of production yet. But from now on it seems that every new order will have to be won rather than taken.

STERLING

Back in Demand

THE recovery in sterling has been resumed this week, following the temporary check partly attributable to the Berlin uncertainties. Movements in the rate this week have been modest, from \$2.80½ to \$2.80¾, and the rise has certainly been held back by sales of sterling for dollars by the official exchange account. These tactics make sense. The bears who sold sterling short when the rate was \$2.78½ and contracted to take \$2.75½ in three months for the sterling they had not got have already been given a fair squeeze. Now the authorities may not be anxious to see the rate rise too close to the official limit of \$2.82, at which point there would be nothing left to go for (this is the case for a modest and opportune widening of the margins). In any case the reserves are badly in need of all the dollars the authorities can buy back.

The demand for sterling has been mainly on commercial account, including purchases that had previously been delayed. There is still no sign of any large inflow of funds for short term investment. Few operators are inclined to leave their funds uncovered. But buying of forward sterling by continental operators this week has brought the cost of exchange cover down from about 4 to 3½ per cent, leaving a small margin in favour of London on most forms of interest arbitrage.

THE DOLLAR

Widen the Gold Points?

A correspondent writes from New York:

IN order to strengthen its tactical defences for the dollar, the United States Treasury has put half of the \$150 million of gold provided by the International Monetary Fund (as a consequence of the recent British drawing of \$450 million in US dollars) at the disposal of the Exchange Stabilisation Fund. Although the balance sheet of the Stabilisation Fund is published with a delay of several months, it is no longer a secret that it has been used by the Treasury as a buffer for handling minor transactions in gold with foreign authorities. While the acquisition of \$75 million of gold is not a major one, it will permit an increase in the limited transactions that have taken place and is regarded as a useful safety valve to cope with special and unforeseen demands. Any sales of gold from the Stabilisation Fund, moreover, will not show up in the weekly figures on the Treasury's general gold account, which suggests that the authorities are hopeful that the market will attach somewhat less significance to the changes in the published statistics. Together with its other innovation such as the acquisition of

D-Marks and its intervention in both forward and spot exchange markets, the Treasury's latest move gives it greater flexibility in coping with short term pressures.

It is likely that the authorities will experiment with other measures to buttress the gold-dollar pivot. The techniques that have been adopted are considered a first line defence, and while the Treasury is counting on the strengthening of the IMF as a second line, officials acknowledge that they would like additional short-term weapons designed to discourage speculative runs and reduce danger of disruptive flows of gold from monetary stocks to private hoards. While they are silent over specific plans, officials are plainly unhappy about maintaining convertibility for foreign authorities *sans questions* when US citizens are prohibited from holding gold. It is impossible to close down private markets abroad, but the hope is that the speculative attractiveness of gold can be lessened. One possibility, put forward in *The Economist* a fortnight ago, would be to widen the margin between the fixed gold buying and selling points, which at present are \$34.91½ and \$35.08½. Such a move is permissible under US regulations and is regarded as consistent with fixed exchange rates. Treasury officials refuse to go further than comment that increasing the spread is only one of a number of avenues open to them.

The Treasury is also likely to seek liberalisation of IMF provisions in order to increase its freedom of manoeuvre and moderate longer term pressures. The Treasury contends that short-term pressure and long-term illiquidity are connected problems, though it emphasises that the heart of the matter is a maldistribution of reserves rather than an absolute insufficiency. Its criteria for evaluating liquidity, however, are vague and may be supplanted by new yardsticks to compel countries enjoying a surplus to choose from a variety of measures designed to prevent further gains. The immediate emphasis on short term, market orientated steps such as more liberal use of the Stabilisation Fund is thus being flanked by continuing efforts to secure co-operative measures of long run reform.

BRITISH EUROPEAN AIRWAYS

Wolf at the Door

BRITISH EUROPEAN AIRWAYS has every incentive at the present time to cry "wolf" as long and as loudly as possible, since the Air Transport Licensing Board has just retired to consider whether to allow independent airlines to fly competing services on the corporation's routes. At any other time, the chairman might have found it difficult to convince anyone that a modicum of new competition would harm the corporation, which carries nearly half the traffic between this country and Europe, has just announced net profits of £1¼ million on last year's (1960-61) operations and has

accumulated reserves standing at the remarkably healthy figure—for an airline—of about £5 million. But events have played into his hands. If it had to come at all this year's set-back in air traffic could not have occurred at a better time for BEA, and there is a certain gloomy relish about the corporation's forecasts of a probable loss in the current year. The wolf on BEA's doorstep is a cub compared to the shaggy monsters panting down the key-holes of the North Atlantic airlines, some of which are said to have flown services without a single passenger, but it is unmistakably a wolf.

Its appearance after seven years' profitable operation does not necessarily spell disaster to BEA. The corporation has achieved what few airlines manage, the accumulation of a financial reserve big enough to cushion it against the temporary traffic set-backs that occur in aviation with monotonous regularity. The origins of the present one are easy enough to trace. Last year, BEA carried 4 million passengers, which represented an increase of a fifth. It had in fact increased its capacity by 24 per cent, while total traffic, including freight and mail, increased by 19 per cent. This meant that roughly two-thirds of the available capacity was filled. It was filled, however, only by cutting rates, which meant that although revenue, at more than £42 million, was nearly 16 per cent up, expenditure, at nearly £41 million, was rising even faster in spite of a reduction in costs. BEA, however, was working to the super-market theory of bigger turnover and smaller margins so it seemed reasonable to develop along the same lines this current year. Capacity was again increased by a quarter, but the growth in traffic lost some of its momentum and has so far increased only 15 per cent.

Thus BEA finds itself at the end of the first quarter of its present financial year with £1.7 million less revenue than it had budgeted for, and the prospect of a profit likely to be measured in thousands rather than millions, if indeed it can make a profit at all. Comparable detailed accounts are not available for the independent airlines, so it is not possible to guess whether under similar conditions they would have done better or worse than BEA. They may find it difficult to match the corporation either for efficiency of management or—where it has its head—for fares: the standard £3 3s. ticket proposed for flights to Belfast and Scotland during the winter is a measure of the kind of price competition that BEA intends to offer. But there is no reason why they should not be allowed to try.

BANK CREDIT

Advances' Steep Fall

IN the four weeks to August 16th outstanding advances of the London clearing banks fell by £103 million and advances by the Scottish banks by £3½ million. This

decline—which has been exceeded only once in recent years, in September, 1955—follows increases of £50 million in both June and July. The turning of the tide has coincided exactly with the Chancellor's new measures. In fact a substantial part of the August fall must be the result of the tighter scrutiny imposed by the banks earlier this year, when it was already clear that the ordinary pressures of bank liquidity themselves demanded a tightening in bank lending. It was surprising that this tightening did not show up in the figures earlier, and this may have been due in part to fortuitous influences such as a few large day to day increases coinciding on the make up date—just as there is evidence that fortuitous influences the other way may have swollen the August decline. The decline was however well spread among different banks and also, it seems, among different categories of borrowers. The Chancellor's measures may have had an immediate impact on loans to local authorities, which had turned to the banks during the period when foreign money was draining out of the mortgage market—but now have the

LONDON CLEARING BANKS AUGUST 16, 1961

	£ mn.	%	Change on Month	Year
Gross deposits.....	7,436		- 86	+215
Net deposits*.....	6,947		- 90	+187
Liquid Assets.....	2,450	32.9	- 23	+184
Cash.....	617	8.3	- 4	+ 32
Call money.....	579	7.8	- 2	+ 32
Treasury bills.....	974	13.1	- 42	- 27
Other bills and "Liquid" credits.....	280	3.7	+ 25	+147
Special deposits.....	185	2.5	+ 38	+ 42
Risk Assets.....				
Gilt-edged.....	934	12.6	- 2	-251
Other market invest- ments.....	113	1.5	—	- 19
Advances*.....	3,446	48.1	-103	+250
(to State Boards).....	75	—	+ 4	+ 6

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

opportunity to return to this source for their temporary borrowing. The nationalised industries, on the other hand, raised their borrowings from the clearing banks by a further £4 million in August. It is uncertain whether the new squeeze on hire purchase and property companies can yet have been reflected in the figures, but the banks are certainly taking it seriously.

They have little option. The August figures themselves reflect the pressures the banks are facing. Despite the near-record fall in advances, the liquidity ratio improved only marginally, from 32.86 to 32.94 per cent. An additional £38 million had to be paid up in special deposits, and liquid assets fell by £23 million. Now that the government is budgeting for an overall surplus, for which the bankers have called so long, the market no longer feels flooded with the government's floating debt. Treasury bills have rather become a scarce product, for which a wide range of lenders compete. The clearing banks are faced with a further ½ per cent call to special deposits by mid-September, bringing the total to 3 per cent

of their deposits. Unless the high overdraft rates of 7½-8½ per cent themselves deter the borrowers, the banks will not find it easy to raise their liquidity ratio to the 34-35 per cent needed by the end of the year to withstand the seasonal flow of funds to the Exchequer.

MOTORS

Last Weeks of Summer

THE motor industry closed for its summer holidays at the end of July faced with the question of what the increase in purchase tax would do for its sales in the autumn, but with another month of reasonable prosperity behind it. The big fall in sales that usually takes place in August makes it difficult to say just how far this month's activity is being affected by Mr Lloyd's measures, but there are signs that sales are beginning to disappoint some makers—which does not make the industry feel happier about its prospects for the rest of this year. Used car prices are still falling, though the trade seems to have been warned by its experience of last year and has avoided ending the summer with heavy stocks. A sharp break in the market should therefore be avoided, but lower trade-in allowances for used cars inevitably depress the sales of new cars.

The industry's production in July had been higher than that in June, 24,584 a week compared with 23,192, but after allowing for the effects of strikes on output in June and of the beginning of the summer holidays on that in July, it seems as if there was no significant change in the state of activity between the two months. The difference between the rate of working of the two bigger companies and of the smaller ones remained marked, with the industry as a whole operating at about 77 per cent of capacity but the British Motor Corporation at nearly 95 per cent. Output may have been reduced in some plants, however, by model changes, which should produce a corresponding increase in output this month. Sales of cars in Britain were slightly lower than in June and July last year at 79,408, which suggests that the buying public took at least the threat of increased prices calmly.

Exports of cars remained unchanged at 31,000, and it is now unlikely that there will be any significant recovery before the new year: the increase that shipments of new models will produce in the autumn will be offset by the seasonal fall in sales. The only encouraging feature is that shipments to most European markets continued to be higher than they had been a year ago; shipments to the United States remained low, at 2,291, but were also well below the level of actual sales in that market. Some time the fall in overseas stocks will have to end, as the fall in sales does seem to have been checked this summer. When stocks stabilise, it might add several thousand a month to car exports.

CHANNEL LINK

Over or Under?

THE official talks—as distinct from “consultations,” which have been going on in a desultory way for some months now—that are being arranged between the French and British governments about some kind of physical link across the Channel should at least bring the differing arguments about the various rival schemes to a head—and perhaps also end the very real uncertainty for existing cross-channel services, especially the ferry operators, in deciding their own future investment. If the present revival of interest in the idea of a cross-channel link does reach a positive conclusion, the main choice now seems to lie between a rail tunnel and a road and rail bridge—though there are various other possibilities in between these two, such as an immersed tube lying in a trench cut into the sea bed and carrying a road or rail tracks or both. Both pose major technical problems. Ventilation and the suitability of the geological strata in the case of the tunnel: resistance to high seas and gale force winds for the bridge which would straddle one of the busiest, and at times the foggiest, shipping lanes in the world. The bridge would cost decidedly more, at least £200 million against about £130 million according to the latest estimates of the rival groups, but its supporters have a much more optimistic view of the traffic a road link would attract. Both schemes are claimed to be economic propositions on the basis of the rival groups' own assessments of costs and revenue.

The Channel Tunnel Study Group, which was formed as the result of the Suez Canal Company's search for something else to put its money into after the canal was nationalised, reckons that virtually all of the capital for the tunnel could be raised privately, much of it from abroad, provided, however, the two governments gave certain guarantees. The other group, which is headed by M. Jules Moch and financed by French banking and road interests, and which has adopted in essence the scheme put up by Dorman Long in association with a French and an American company, would

call for rather more direct financial involvement from the two governments—a point that will go down even less well in Whitehall. But perhaps the greatest difference between the two projects, tangible arguments aside, is that a purely rail link, first thought of by Victorians, just does not appeal to the French imagination whereas a road bridge does. It is both a challenge and more in keeping with contemporary technology. Whatever the political and symbolic implications of a cross-channel link in the context of the coming common market negotiations, there seems to be a gulf between the approach of the two nations to the most suitable kind of link that is as wide as the Channel itself.

RAILWAY SITES

Going Commercial

THE formation of Railway Sites Ltd., a company to put steam behind the commercial development of the larger properties owned by the railways in the major cities, means that the Transport Commission is no longer going to wait for Mr Marples's new bill to lift the statutory restriction preventing the railways by themselves undertaking schemes of site development for commercial letting. That limitation will still operate for at least a year longer but some of the wind has already gone out of the property boom. Further delay might mean opportunities forfeited. Already a year has passed since the idea of a property company was first discussed by the commission: it was put in limbo when the government's white paper on reorganisation appeared last December and resurrected when Dr Beeching took over in June.

General Russell, who has been responsible for the management and development of the commission's property since he became one of its full time members nearly two years ago, will be chairman of Railway Sites Ltd. and Mr Roy Matthews, a surveyor, chairman of Crosse and Blackwell (Holdings) and a member of the commission's present property committee, is to be deputy chairman. The board of the new company, which also includes Sir Reginald Wilson, a full time member of the commission, and Mr W. S. Barnes, previously the commission's chief estate and rating surveyor and now the new company's managing director, may yet be strengthened by the addition of an outside property expert. The railways have no lack of urban sites crying out for fruitful development: indeed any number of schemes for rebuilding stations and similar sites of varying degrees of ambitiousness and preparation are in the pipeline. They are short, however, of money to finance big commercial projects such as these and the freedom to develop beyond their own particular needs.

It will be the new company's job to meet both deficiencies by finding property

developers and institutions prepared to put up the money. To begin with at least it will operate mainly by forming companies with other developers for particular projects, with Railway Sites Ltd. holding a minority interest so as to meet the present statutory restrictions. Development will be financed by loans, and profits will be shared by Railway Sites Ltd. and its partners to each project. Thus the railway regions, who can expect to be chivvied by General Russell and his board into looking at every major site that might have a potential development value, will receive ground rent and the railways' share of development and management profits. Not quite the rack rent, but something better than many property owners without capital might otherwise expect to get.

OIL

Compensation for Anglo-Egyptian

SHELL and BP this week formally “reserved their position as to the adequacy of the compensation” that the United Arab Republic has now announced it will pay for the majority shareholding in Anglo-Egyptian Oilfields that it is compulsorily acquiring along with similar holdings in a large variety of other business concerns in Egypt. The government originally owned 9.6 per cent of Anglo-Egyptian share capital of some £5½ million (in £1 “B” shares); Shell and BP each owned 30.9 per cent, and the remainder was held by private investors in the United Arab Republic (22 per cent) and Britain (6 per cent). Under its new decree the government share goes up to 55 per cent, and each of the other interests is halved, leaving some 15 per cent each to Shell and BP, and 3 per cent to private British investors.

The government proposes to pay compensation in 15-year bonds carrying 4 per cent interest, to the value of ££2.07 for every £1 share compulsorily acquired. This valuation is based on the last Cairo stock exchange quotation before the decree taking over the majority interest was announced. This stock exchange price had been falling for some years, largely no doubt because of the uncertainties of business operation in Egypt under the Nasser regime. Anglo-Egyptian's production of oil from Red Sea and Sinai fields (with Mobil), also, has been declining over the years, as the companies had no new areas to explore; more than half the throughput at its Suez refinery has recently been for the account of the government's General Petroleum Authority. This authority has a powerful grip on all oil business in Egypt: it is the sole importer of fuel oil and kerosene (which Egypt needs to import, though its own refinery output leaves a surplus of gasoline for export); it allocates these imports to the marketing companies, and fixes prices for the main products.

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PAINT MERGER

Another Big Group

OVER the last few years sales of paint have been rising steadily though not spectacularly, with the emphasis shifting slightly from industrial uses to building and within the building trades from contract work to "do-it-yourself." But competition has been forcing margins down and profits have not been rising at all quickly. Last year, indeed, they fell despite bigger sales and when sales began to tail off a little in the recession in the motor industry competition became even more severe. One consequence has been mergers into bigger units. Probably the biggest producers are ICI and Wallpaper Manufacturers, which only recently acquired Smith and Walton and KL Holdings. Courtaulds has taken over Pinchin Johnson and other fair-sized groups have been formed from the mergers between Lewis Berger and Jenson and Nicholson and between Blundell Spence and Permoglaze.

The proposed merger between British Paints and International Paints comes therefore as no surprise, for it creates a group which in size is not far behind the principal producers. Both reported slightly lower profits last year and both have specialised to some extent in marine paints, in which prospects cannot look overbright in view of the slump in shipbuilding. The new grouping may therefore be seen as a natural defence against the powerful competition of the other big manufacturers. Though the merger is to be effected through the medium of a holding company and the two partners intend to market their products under existing brand names, the directors are confident that considerable benefits will accrue. There is some over-lapping in overseas markets as well as at home and there is obvious scope for economies through integration.

The terms of the merger are one 4s. ordinary share in the holding company for every one 4s. ordinary share in British Paints and three ordinary shares in the holding company for every two 4s. ordinary shares in International Paints. These terms were in line with market values, with British Paints quoted at 17s. 6d. and International Paints at 11s. 6d. They give shareholders in British Paints slightly more than half the combined equity, although, on the basis of the last published figures, British Paints contributes just under half the combined equity assets and earnings. If the income of shareholders in International Paints is to be maintained the holding company would have to declare a dividend of 20 per cent and this would effectively raise the income of shareholders in British Paints from the 27½ per cent paid last year to 30 per cent. Presumably, therefore, in fixing the terms the companies' financial advisors have taken some account of British Paints' rights issue and the current state of trade and prospects of the two companies.

COAL

Pay As You Burn

FIFTEEN shillings a week for five years, plus the cost of coal or coke of guaranteed quality, should be a relatively convenient way of paying for some central heating in an average-size house. This package deal, which Lord Robens spoke about in Sheffield last week, fulfils one of the National Coal Board's ambitions of making coal a considerably more convenient fuel to use and thus more competitive in the domestic and industrial heating market where convenience as well as cost counts for much. No form of central heating can be got really cheaply. Coal and coke are probably about the least expensive, but they are not the most convenient to use. For fifteen shillings a week, under the board's new scheme, a householder will be able to have a boiler installed behind an open grate with an underfloor draught, costing in one payment about £150 to £170 and supplying heat to a 30-gallon hot water tank and about 70-100 square feet of heating surface—say three or four radiators and a heated towel rail. That would not provide full central heating for a three-bedroom house, but it might be sufficient for a distinctly smaller one.

Later this autumn and winter a number of manufacturers of domestic appliances will be putting on the market some improved types of solid fuel boilers and stoves, designed to stay in for two days, to need attention once only in every twenty-four hours, and equipped with automatic ignition devices. These, the fruits of special co-operation between the manufacturers and the Coal Board, are intended to be followed somewhat later by more sophisticated—and rather more expensive—boilers with completely automatic feed and ash removal. In the end it will be improved appliances to take the work out of solid fuel heating, rather than easy ways of paying, that will settle coal's chances of making a come-back in domestic heating.

BUILDING SOCIETIES

Before the Squeeze

THE figures published by the Building Societies Association for the second quarter of this year show that while new savings were about £1½ million lower than in the first quarter withdrawals were about £1½ million higher, so that net receipts fell from £38 million to £35 million. It could have been much worse; but it is clear that the announcement early in June that most societies would raise their rate on shares to 3½ per cent, net, checked withdrawals in the last few weeks of the quarter. Indeed, some societies are prepared to admit that any benefit arising from the increase in

rates has already been experienced and that with Bank rate at 7 per cent their borrowing rates are not attractive. Certainly, though they hope to ride out this period of dearer money by paying 3½ per cent, net, on shares and charging 6½ per cent. on mortgages, the societies are openly admitting that if high interest rates persist for a lengthy period they will have seriously to consider whether 4 per cent, net, and 7 per cent are more appropriate. What inhibits the societies from accepting these rates now is the obligations they feel they have to old borrowers and the fact that a rise to 7 per

ASSETS AND LIABILITIES*

	1960		1961	
	Qtr. I	Qtr. II	Qtr. I	Qtr. II
Receipts	123.0	111.3	122.2	120.5
Withdrawals ..	79.7	73.7	84.3	85.6
Net receipts ..	43.3	37.6	37.9	34.9
Advances	96.6	102.6	95.1	110.4
Repayments ..	81.7	86.7	84.4	93.8
Liquid assets ..	349.7	356.8	361.1	366.3
Total assets ..	2,284.4	2,332.1	2,463.1	2,537.0
Liquidity ratio ..	15.3%	16.3%	14.6%	14.4%

* Based on returns made by 195 Building Societies whose combined assets represent 77 per cent of the total assets of the movement.

cent on old mortgages originally contracted at low rates stretches repayments over a long—possibly an undesirably long—period of time.

The societies have therefore to accept what appears to them to be equally unpleasant: mortgage rationing by quota. The member societies of the association did succeed in advancing as much as £110 million in the second quarter; but this was made possible by a slight reduction in liquid assets, by a high rate of repayments and by the lending of £11½ million under the Government's house purchase scheme. One of the Chancellor's proposals was to suspend this scheme and if and when the suspension comes into effect one source of finance for older houses will be blocked up. The societies, moreover, are likely to be reluctant to draw down their liquid balances much further so that if net receipts of new savings fall new mortgage advances will be more dependent than ever on the flow of repayments. The probability is that net receipts will fall and that for a few months at least the movement will in effect be marking time.

STERLING TRADE

More Help for Sterling

IN the first quarter of the year, the overseas sterling area increased its exports though Britain was importing less, and reduced its imports though Britain was exporting more. Despite their largely complementary trade, both components of the sterling area suffered a parallel deterioration in their balance of payments last year. It now seems that the rest of the sterling area can get just as quickly on to the other foot when mother changes step. Exports from the whole of the ster-



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ling area rose by about 4 per cent in the first quarter; imports were cut by about one per cent (seasonally adjusted) below the level of the last quarter of 1960. On the incomplete evidence so far available,

EXPORTS OF THE OVERSEAS STERLING AREA (£ million)

	1st	2nd	3rd	4th	1961
	Qtr.	Qtr.	Qtr.	Qtr.*	Qtr.*
Wool.....	139.0	117.5	72.9	103.8	119.5
Cotton.....	14.3	18.3	16.2	8.4	15.2
Coffee.....	13.5	8.8	7.7	12.9	13.9
Tea.....	43.2	32.4	48.6	60.3	43.8
Jute.....	14.2	12.7	10.7	23.0	22.5
Cocoa.....	33.5	36.5	19.3	18.2	33.0
Tin.....	14.4	13.5	18.5	18.9	15.8
Copper.....	40.5	38.6	34.9	38.6	32.4
Meat.....	46.3	42.7	47.6	37.3	45.2
Wheat.....	17.0	9.9	12.7	13.2	24.9
Sugar.....	18.4	26.6	24.0	25.8	18.0
Rubber.....	107.0	98.5	84.4	79.5	70.8
Total exports.....	1,111	1,088	1,015	1,044	1,068
Total imports.....	1,300	1,388	1,384	1,406	1,376

*Provisional.

the Board of Trade reckons that the improvement persisted through the second quarter in both parts of the sterling area.

Compared with a year earlier, exports

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from the overseas sterling area were about 4 per cent lower in the first quarter, mainly as a result of the fall in commodity prices. Malayan exports dropped by 19 per cent, reflecting the decline in rubber prices after last year's boom. Exports from Rhodesia and Nyasaland fell by 13 per cent following the restriction of copper production and concurrent weakening in price. Ceylon and Ghana suffered an above-average fall in exports, but the West Indies, South Africa, India and Pakistan (helped by the very high prices of jute) increased their exports.

The fractional improvement in Britain's exports in the past three months over the February-April level was caused by an increase of £30 million (seasonally adjusted) in shipments to western Europe and a smaller rise in exports to the communist block and Latin America. Exports to the sterling area dropped by £23 million. In this period, imports of basic industrial materials fell by £21 million. Even so, total imports from the sterling area rose by a similar amount. Imports from North America declined by 11 per cent and from western Europe by 4 per cent.

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and the dollar has been consistently strong in Frankfurt. The outflow is still small compared with the intake equivalent to 8 billion marks in 1960, of which more than half was attributable to capital movements. But this turn of the tide may be a significant one; it coincides not only with the new Berlin crisis but also with the new economic measures in Britain and the check to speculation against sterling. This may be the beginning of the movement that revaluation should itself have set off five months ago.

It is still too soon to judge the final impact of the 5 per cent revaluation on the underlying payments balance. The evidence so far can be read both ways. German exports in the second quarter were over 11 per cent higher than the year before, though against the experience of previous years they were very little higher than in the first quarter. Imports were only 4½ per cent up on the year, despite a continuing rise in imports of finished manufactures—which are now double their level at end-1957 and account for 36 per cent of total German imports. This buoyancy has been partly offset by some caution in adding to stocks of imported materials at a time of continuing exchange uncertainty, and also by the sharp fall of around 4 per cent in import prices since revaluation.

The one clear effect of revaluation indeed has been to turn the terms of trade in Germany's favour; what is still not clear is whether this movement will be outweighed by changes in export and import volume. A survey by the German IFO Institute found that in May only just on a quarter of the firms interviewed had reduced their export prices, whereas in March more than one third of those interviewed had proclaimed their intention of doing so. But the Bundesbank reports a decided impact on export orders, which in the second quarter were down on the year by 4 per cent in value and 6 per cent in volume. One important deterrent is that since revaluation German exporters have found the strongest resistance among their customers to invoicing in D-marks—so that now the German exporter has to take the exchange risk. Not surprisingly, the most strongly placed export industries—notably machine tools and electrical engineering, where performance and availability are often more significant in international competition than price alone—have been relatively unruffled, and their orders continue to grow at a higher rate than their deliveries. But in other sectors including the steel, chemicals and optical industries, new export orders are now falling behind; while the plight of the shipbuilding industry, and to a less extent of textiles, has become worse still. Revaluation, some German critics have complained, has been little help in improving the domestic balance of the German economy—the strong sectors are as overstrained as before while the weak need still more help. But the impact may still have been in the right direction internationally.

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BOAC SUBSIDIARIES

The First Go

BOAC and Middle East Airlines ended their stormy six-year association last week to the mutual relief, no doubt, of both sides. A sum of £3½ million has been raised privately in the Lebanon to buy out BOAC's 49 per cent interest; when the managing director of MEA, Sheikh Najib Almuhammad, offered the corporation £5 million for its interest almost exactly two years ago his offer was curtly refused. The present settlement can hardly compensate BOAC for the sums invested in Middle East Airlines since 1955 to make it viable, nor for its losses in MEA and its even bigger losses in the Mideast Airport Service Company, a vast maintenance base now taken over by MEA. But the fact that the corporation was prepared to let both companies go, marks a change of policy towards its subsidiaries in which it has been losing huge sums over the years.

The corporation's accounts for 1960-61 show the following pattern of profit and loss

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on its 12 subsidiaries which added up to a loss of more than £1½ million:

Aden Airways.....	£58,000	Bahamas Airways.....	£406,000
Borneo Airways.....	£7,000	British W. Indian Airways.....	£645,000
Cathay Pacific Airways.....	£5,000	Fiji Airways.....	£5,000
Gulf Aviation.....	£9,000	Kuwait Airways.....	£293,000
Malayan Airways.....	Small profit	Middle East Airlines.....	Small profit
Mideast Aircraft Service Company.....	£418,000	Turkish Airlines.....	Not available

This loss, said Sheikh Almuhammad, is largely the corporation's own fault. He argues that those few subsidiaries that are locally managed, including Middle East Airlines, have made profits (he maintains, with some justice, that MEA can hardly be blamed for the losses that it made during the Lebanese revolution; BOAC loses equally large sums, he said, when it has a strike). The subsidiaries that are wholly managed by BOAC are, he claims, those that made the biggest losses. Whatever the justice of this argument, BOAC is now making strenuous efforts to get rid of these subsidiaries, not all of which are so anxious to be detached from its apron strings as MEA. With luck, the corporation may manage to dispose soon of its British West Indian and its Kuwait subsidiaries; it seems incredible that the British taxpayer should be asked to subsidise Kuwait.

WHEAT

Crumbs of Comfort

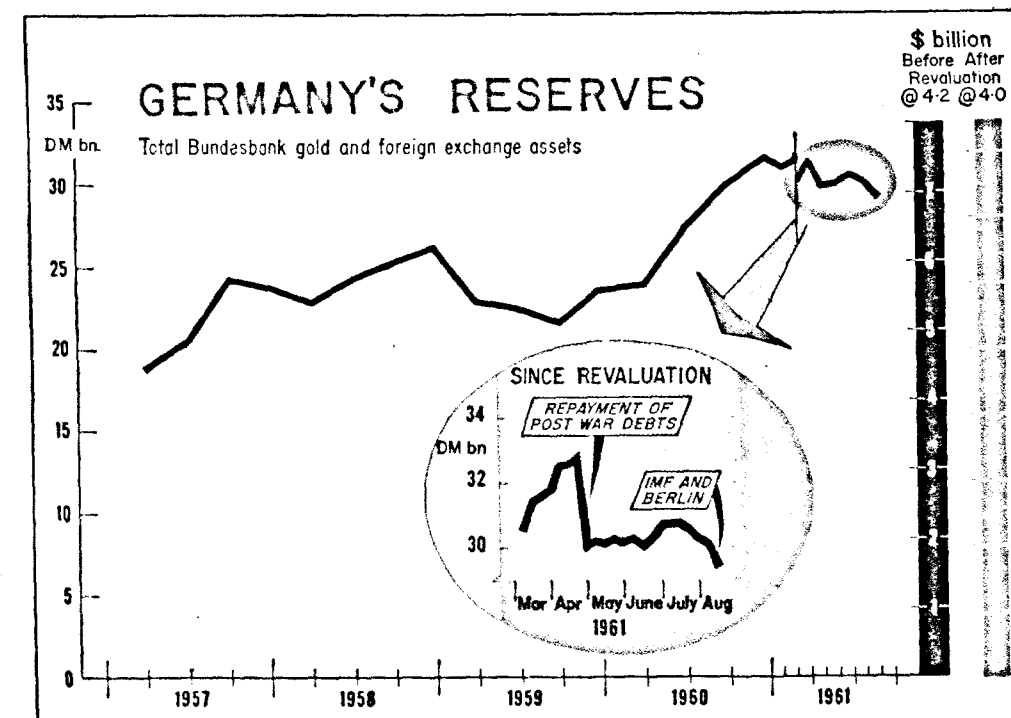
DROUGHT threatens to halve Canada's wheat crop this year. Canadian farmers, who have had a thin time in recent seasons, can now expect worse; this year they stand to suffer a drop of at least \$250 million in income as a result of this failure. The bulk of Canada's exports will be drawn from stocks this season, so that by next July the wheat carryover should be cut from more than 500 million to about 250 million bushels. But the weight of this stock, and the even bigger surpluses carried by the United States, will damp the market's normal reaction to a calamity of this magnitude. It is now obvious which side the bread is buttered in this trade; growers overproduce in good years and prices are depressed by huge surpluses. When crops fail, consumers have a comforting cushion of grain reserves conveniently provided by producers and they need not pay the scarcity prices that usually console farmers with blighted crops.

GERMANY

Revaluation Begins to Work

At last, money is leaving Germany in substantial volume. The fall of 678 million marks (£60 million) in the external reserves of the Bundesbank in the week to August 15th was admittedly swollen by official transactions, notably by Germany's participation in the International Monetary Fund's credit to Britain. Britain is keeping over 400 million marks, of the 1,080 million drawn, on deposit with the Bundesbank. But it appears to have used some 600 million marks for repayments of Basle credits; and these and other liquidations of the Bundes-

bank's claims on foreign banks have much more than offset the addition of gold to the value of 360 million marks sold by the IMF as part of the United Kingdom credit operation. This complex of official transactions makes it difficult to calculate the residual movement of the funds—hardly any country's reserve figures mean what they say nowadays—but there was certainly a substantial further outflow in this week covering the closing of the Berlin sector boundary. In the previous fortnight the Bundesbank's reserves fell by around 500 million marks,

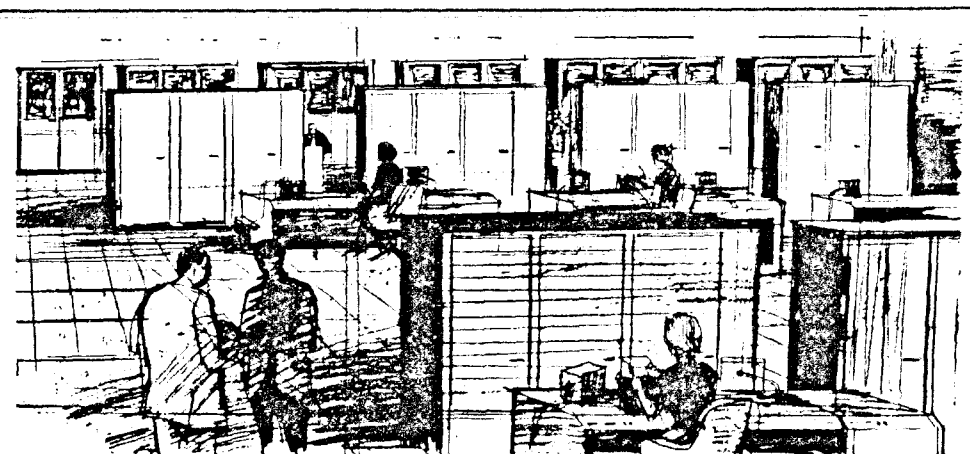


COMPUTERS

£3½ million Brain

THE price of a computer is a fairly reliable guide to its mathematical skill, so when the Atomic Energy Authority announces that it is buying one that will cost, with its equipment and buildings, a clear £3½ million, this can be taken to mean that the machine is probably the most powerful in the world. Here the AEA is paying for speed; the Atlas computer designed at Manchester University and built by Ferranti, should calculate 1,000 times faster than the ordinary run-of-the-mill commercial computer. Speed, again, indicates not only the machine's ability to do more work in a given time but something that computer makers are perhaps less anxious to discuss, namely accuracy.

If the only criterion were ability to do work in large amounts, it might be cheaper to buy two medium-sized computers than one giant like Atlas which costs a minimum of £2 million in its simplest version. But an electronic brain has this in common with a human brain, if it works for too long without a break, it can get fuddled and drop a digit in the middle of its equations. Scientists who use computers for long, abstruse calculations—which is a far cry from making up wage packets or processing bank accounts—say that there is a predictable rate at which errors begin to multiply as the computer gets fagged and they consider that 1½ hours is the maximum length of



job that it is reasonable to ask one of these highly scientific computers to perform; the ideal length of job they put at 30 minutes. Other computer users might not agree with this, but one reason for growing international interest in Atlas is the fact that some scientists want to do sums that would take 2½ days' uninterrupted working on the best machines now in their laboratories which, they say, would be impossible because of the errors likely to creep in over that period.

It has not been easy to design into Atlas the performance demanded by the AEA and other potential customers; the huge IBM organisation, which is Ferranti's main competitor in this scientific market, seems to have run into severe difficulties with its Stretch computer than would, had it worked as planned, have been without question the biggest, fastest computer in the world. The new systems, designed by Manchester University for adding, for

storing information and for monitoring work inside the computer, which give Atlas the necessary speed, have been proved on a prototype that has been working since last year, the first full-scale production model is now being installed in the University and the AEA should get its computer in 1964. If Ferranti were able to offer the computer for immediate delivery, it would probably sweep the market which is not big but is certainly highly lucrative and brings prestige that rubs off onto the company's humbler products. But the market for these calculating mammoths is if anything more competitive than that for simpler computers and the kind of technical lead that the company now possesses need not last. IBM will certainly do everything in its power to see that it does not last, but it will first have to deal with the difficulties encountered with Stretch and this may take some time.

So far this year, Canadian wheat prices (expressed in Canadian dollars and therefore reflecting the recent depreciation) have risen about 10 per cent.; No. 2 Northern Manobas are now quoted at 177½ cents a bushel. In Britain, prices have risen about 30s. to £28½ a ton for forward deliveries in the past two months. Resales of wheat by dealers who bought large tonnages at lower prices earlier this year when severe damage to this year's crop seemed likely are checking the rise. But the recovery in prices, which excluding freight charges, has already lifted them to the highest level for five years, will not make good more than a fraction of the prospective loss facing Canadian farmers this year.

Durum wheat, an extremely hard wheat normally grown in hot climates and used to make pasta dishes like spaghetti and macaroni, has risen steeply in price. In this class, there is no surplus. In July, Canada offered a common grade of this type of wheat at \$2.06½ cents a bushel; by last Friday the price had advanced to \$2.94½ cents a bushel. There will be no such mouth-watering rise in run-of-the-mill wheats. Though most of Canada's wheat is a hard variety essential to the manufacture of high quality flour and has few direct competitors, it is still not isolated from competition from softer wheats. Within limits, the proportions of hard and "filler" wheats used by millers are governed by price. Other suppliers can also regrade their exported grain to give a quantity of better quality wheat if the price differential is attractive. Russia, which seems particularly anxious to increase its exports to Britain, has a climate similar to that of Canada, and can presumably produce wheat of a corresponding quality.

ELECTRICITY

Oil Power or Nuclear?

IF THE Central Electricity Generating Board receives permission to build a 2,000 megawatt oil fired power station at Fawley on Southampton Water, it will "defer" consideration of a site at Hamstead Isle of Wight for a nuclear power station. The idea of a Hamstead nuclear station had caused a good deal of local opposition on grounds of amenity, which the generating board recognised last December when it said it would look at alternative ways of providing the power. The oil-fired station would be on land close to Esso's refinery, which would ensure it a good bargain on fuel oil, and thus is in an already industrialised part of the area. Local residents objecting to industrial development sealed another victory last week: Caltex announced that it would put up for sale the site on Southampton Water where it had originally proposed to build a refinery. The two first nuclear power stations of the CEBG, at Bradwell on the Thames estuary and Berkeley on the Severn, are

BUSINESS NOTES

due to start up any day now, although this does not necessarily mean that they will be ready to generate power for several weeks. Both stations are roughly a year behind schedule; it had been hoped that they would be commissioned in time to meet last year's winter peak demand, but it will be difficult now to have them run in before this November. The first big nuclear power station at Calder Hall will have been running at full power for five years by the time these two stations begin to feed current into the Grid, and much of the experience learned during those five years has been fed into these two stations. But Calder Hall is not a commercial power station designed to get the maximum value out of its fuel; it is not even designed to be re-fuelled while the reactor is working.

This leaves large gaps in engineers' experience of running nuclear power stations that will not be filled until Bradwell and Berkeley have been working for several years. It would be optimistic and indeed unreasonable to expect under these conditions, that either power station would meet at the outset even their comparatively modest target of producing electricity at between 0.8d. and 0.9d. a unit. The prospects are better for the CEBG's next nuclear power station at Hinkley Point, due to start work next year. Power from Hinkley Point might cost 1½d. a unit, which would still be 50 per cent more expensive than thermal power. Thereafter the CEBG should be bringing in one new nuclear station every year and might achieve parity with thermal costs in 1966 or 1967.

WOOL

Hitch in Wool Tops

INTERNATIONAL tension is not the force it was in commodity markets; shortages of primary products have become too rare and political crises too frequent. On Monday, the new season's wool auctions begin in Australia. Although the trouble in Berlin has joggled the United States into ordering 4½ million yards of wool cloth for its armed forces and the New York wool futures market responded sharply, Mr Khrushchev's impact on wool is unlikely to be resounding. But any drop in temperature is good for wool; the extra degree of frigidity in East-West relations should help to ensure a firm start to the new wool season. Between seasons in private deals, buyers have apparently paid several pence a lb over last season's closing prices. If these gains are held, prices will be not far below their May peak.

Australia expects its clip to be slightly bigger this season; a small increase in wool production should be general. Stocks of wool in manufacturing centres, particularly Britain, are relatively low. Demand from Britain, Japan and America might therefore be stronger. Japan's growing imports, mainly to satisfy internal needs, helped to rescue wool from the doldrums last season.

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But besides being woolgrowers' main encouragement, Japan's consumption is the chief variable in demand. Japan's wool textile imports seem to be less buoyant now; following trade liberalisation, Japan's balance of payments looks less healthy. In the past, swings in Japanese trade have been comparatively violent; much as Japan's population wishes to wear more wool, it might have less opportunity to do so next year.

Prospects seem slightly less rosy in Britain. Topmakers, who prepare raw wool for spinning into worsted yarns and have built up a promising export trade, now have fewer unfilled contracts and they have run into difficulty with their Chinese customers. China normally buys about a fifth of all merino wool tops exported by Britain, though its demand has recently tailed off. Pekin has chosen this time to challenge a principle on which the British trade is founded—testing in the Bradford Conditioning House. As an invariable rule, payments are adjusted on the results of tests for moisture and oil content made on samples in the Conditioning House, which is known to be and can be seen to be influenced by the local wool trade. The same cannot yet be said of a rival testing establishment in Pekin on whose tests China wants all contracts to depend from the beginning of August. Differences between tests in Bradford and Pekin could eliminate the topmakers' margin of profit, and the high cost of transporting tops makes their diversion unprofitable once they have been shipped. Despite protests Pekin is adamant, and Bradford topmakers have so far refused to surrender their principle. Trade in wool tops with China is consequently at a standstill.

SHORTER NOTE

Mr Anthony Tuke, chairman of Barclays Bank since 1951, has decided to retire early next year when he will be 65. He will be succeeded by Mr John Thomson, now deputy chairman. Like Mr Tuke, whose father was a former chairman of Barclays, Mr Thomson comes from one of the Barclays families—his family bank, Parsons, Thomson & Company of Oxford, was amalgamated into the group in 1900. Mr Thomson is 53.

COMPANY AFFAIRS

Comments on pages 830 and 831 on:
H. J. Heinz International Tea
Mercury Securities Pasolds
Tunnel Portland Cement Steel and Company

LONDON AND NEW YORK

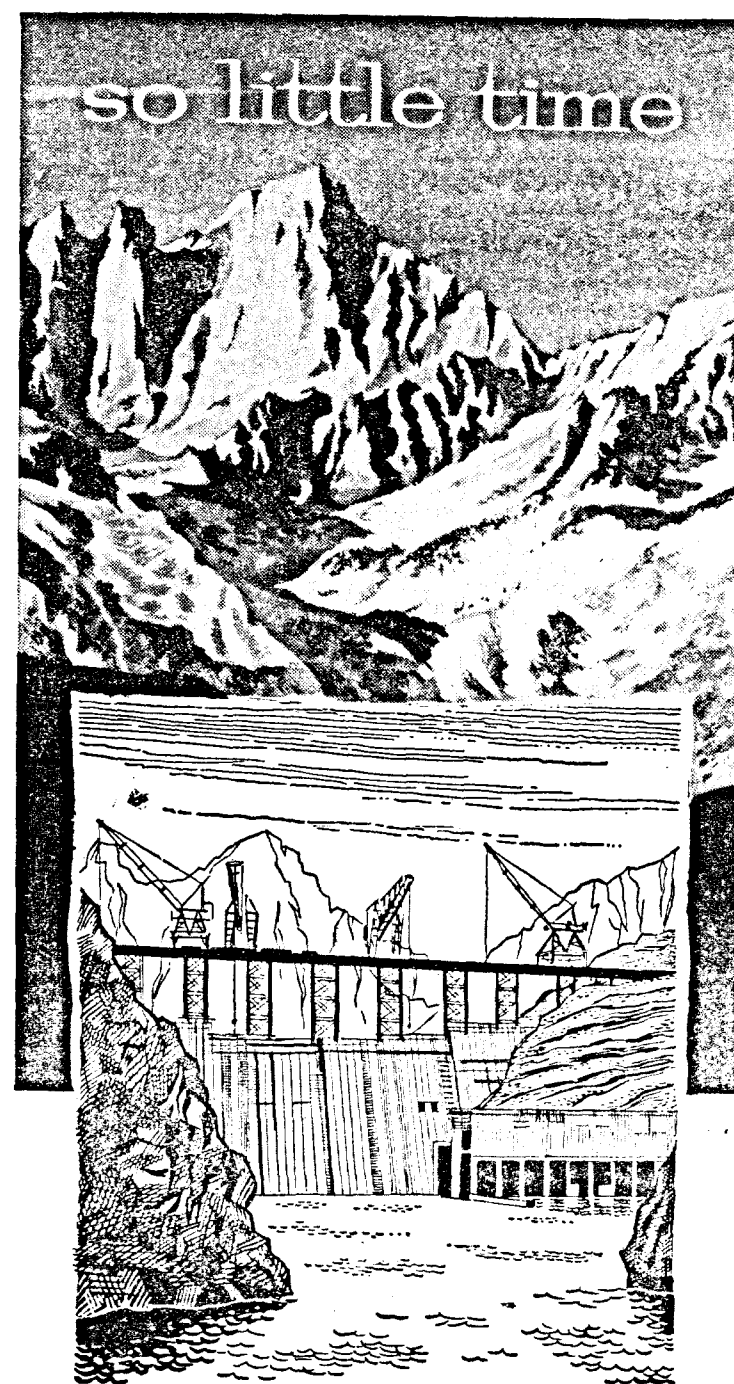
Stock prices, yields and security indices on pages 832 and 833

LONDON STOCK EXCHANGE

The week's movements reported on page 831

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 834

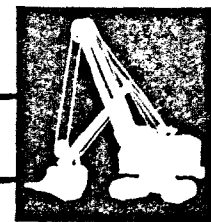


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INTERNATIONAL WOOL SECRETARIAT

REGIONAL DIRECTOR

FOR ASIAN ZONE

The Board of the International Wool Secretariat invites applications for the new post of Regional Director, Asian Zone. This will be the chief executive position in that zone and the Regional Director will be responsible to the Managing Director of the International Wool Secretariat. Initially his headquarters will be in Tokyo.

The International Wool Secretariat is the organisation maintained by the statutory Wool Boards of Australia, New Zealand and South Africa, to carry out their policies for the global promotion of wool and the stimulation of scientific research. The Regional Director will be advised by technical staffs in the fields of publicity, scientific research and economics.

The successful candidate will be a man of established reputation in administration and experienced in promotion. He should be thoroughly conversant with conditions in the Far East, especially Japan. He will not be older than 50 years, and be prepared to spend many weeks of the year travelling away from home.

Terms of appointment and remuneration compare favourably with those of executives in the Far East.

Candidates should submit brief details of their background and experience, as well as the names of 3 persons to whom reference could be made if necessary, to:

**THE MANAGING DIRECTOR,
INTERNATIONAL WOOL SECRETARIAT,
578 BOURKE STREET,
MELBOURNE, AUSTRALIA.**

All applications should be submitted not later than 30th September. The post is being advertised internationally.

No details of the applications received will be disclosed without the authority of the candidate.

COMPANY MEETINGS

ENI

Ente Nazionale Idrocarburi, Roma

RESULTS OF THE 1960-61 FINANCIAL YEAR

HYDROCARBON EXPLORATION

In 1960 AGIP MINERARIA and its associated companies completed 161 wells in Italy (73 of them exploration and 88 development) and drilled altogether 320,349 metres. A natural gasfield of considerable importance was discovered off-shore opposite Ravenna.

Some small gasfields were also found in northern Italy, at Pontetidone (Piacenza), Orzi-nuovi (Brescia), Soncino (Cremona), Migliarino and Poggio Rusco (Ferrara), and Grignano Polesine (Rovigo). In the Abruzzi the further delimitation of the San Salvo gasfield proved that it extends as far as the areas of Cupello, Furci and Scerni. Other notable gas discoveries were made at Pisticci (Matera) and Gagliano (Enna). The overall exploration area abroad rose from 153,364 sq. kms. at the end of 1959 to 159,293 sq. kms. at the end of 1960. Offshore exploration in Iran, in the Persian Gulf, and in the United Arab Republic, in the Gulf of Suez, led to the discovery of two oilfields.

PRODUCTION

In 1960 the Group companies' overall output was 6,167.8 million cu. metres of methane, 408.5 million more than the year before. Liquid and liquefiable hydrocarbon output rose from 364,065 tons in 1959 to 673,362 tons in 1960, an 85 per cent increase. In 1960 COPE produced 1.9 million tons of crude oil from the Egyptian oilfields.

TRANSPORT

In 1961 work began on building the "Central Europe Pipeline." It will be about 1,000 kms. long in all and have a carrying capacity of 18 million tons per annum. Starting from Genoa, the pipeline will go as far as Ferrara (Pavia) and there divide into two branches, one going on to Aigle in Switzerland and the other to the regions of Ingolstadt and Stuttgart in southern Germany. At the end of 1960 the methane transport pipelines were 4,382 kms. long and the urban methane and propane supply networks, 1,308 kms. long. Altogether, therefore, the Group's natural gas pipeline systems were 5,690 kms. long at December 31, 1960.

In 1960 and early 1961 three turbo tankers of 48,900 dwt each were launched and one of them is already in service. Orders have been placed for a motor tanker of 1,065 tons for carrying liquid petroleum gas, which will be launched in August, and for two motor tankers of 49,200 tons each. Once this ship-building programme is complete the ENI Group will own about 430,000 dwt of tanker vessels. Its fleet carried 3,480,044 tons of crude oil and petroleum products in 1960.

REFINING AND PETROCHEMICALS

In 1960 the refineries in which ENI has an interest processed 6.5 million tons of feedstock (5.4 million in 1959). Various projects now under way will add very much to the ENI Group's refining capacity in the next few years. In Italy

the refining units are being built in the Gela industrial centre and a new refinery is planned at Ferrera (Pavia). Abroad the work of building the Mohammedia refinery, with an annual capacity of 1,250,000 tons per annum, began in Morocco and other refineries to be built include one at Bizerta (Tunisia), with an initial capacity of 1 million tons per annum, one at Tema (Ghana), with an annual capacity of 1,250,000, and two in southern Germany with an initial capacity of 2 million tons per annum. The ENI Group will also be granted facilities for refining 700,000 tons of crude oil at the plant belonging to Raffinerie du Rhône going up at Aigle (Switzerland).

Turning to petrochemicals, at ANIC's factory at Ravenna the fertiliser plants reached a productive capacity of 1 million tons per annum and the rubber plants will very soon be capable of making 95,000-100,000 tons per annum. At Ravenna too, the plants belonging to PHILLIPS CARBON BLACK ITALIANA for making carbon black and others belonging to SOCIETA' CHIMICA RAVENNA for making polyvinyl chloride, were completed. Work is going ahead on the ANIC GELA industrial centre and at the same time a plastics factory has been planned for Pisticci (Matera). It will use some of the natural gas from the Ferrandina field as feed-stock.

MARKETING

In 1960 AGIP became an important competitive force to be reckoned with in the motor fuel trade, being the first to reduce its retail selling prices. This action, followed by a Government decision to lower the tax on motor fuels, had a very stimulating effect on sales. AGIP continued to expand its marketing organisation in Italy throughout the year. Sales of petroleum products rose significantly compared with 1959, with the following increases for the main products: 28.7 per cent for gasoline, 12.6 per cent for gas oil, 20.5 per cent for fuel oil and 20.7 per cent for lubricants. By the end of 1960 the number of Agipgas users was 7 per cent more than at the same date the previous year. There were 18 motels open at

April 30, 1961 and others will be ready during the year.

AGIP set up new associated companies for extending its roadside marketing organisation in Germany, Tunisia, Ghana and Kenya. A company was formed in Argentina for liquefied petroleum gas bottling and distributing. It made a very successful start.

NUCLEAR INDUSTRY

In 1960 AGIP NUCLEARE continued its study and research work in the nuclear field both in connection with the design of the Latina atomic power station and in connection with the programmes agreed in conjunction with other national and international bodies. A very advanced stage was reached in the design of the Latina plant and SIMEA is going ahead with the actual building work. The plant will be ready to operate in 1962. SOMIREN successfully carried out a search for uranium in Italy.

OTHER OPERATIONS

The various design, erection and engineering activities carried out by ENI's associated companies on behalf of customers inside and outside the Group continued to expand during the year. Outstanding successes were achieved by NUOVO PIGNONE, SNAM PROGETTI and SAIPEM.

Orders received by NUOVO PIGNONE had reached record levels by the end of the year and it became necessary to enlarge and expand its plant. It was furthermore decided to build a factory at Bari for making pneumatic, electrical, mechanical and electronic equipment for controlling industrial processes and another at Vibo Valentia for fabricating light engineering goods.

Among some of SNAM PROGETTI'S most important work was the completion of contracts for designing oil and natural gas pipelines in Pakistan and Iran and a refinery in Jordan. Present work includes the design of plants for the refinery now under construction at Mohammedia. Once again SAIPEM'S achievements both in Italy and abroad were highly

THE RESULTS OF THE GROUP'S ACTIVITIES IN 1960

	Milliard		Milliard
Turnover	Lit. 349.2	Payments to non-Group shareholders for interest and dividends	Lit. 25.0
Added value	" 114.1	Investment in property, plant and equipment	" 94.3
Wages and Salaries	" 40.1	Amortization of property, plant and equipment	" 35.3
Payments due to the State	" 94.8		
Indirect taxes	" 7.8		
Direct taxes	" 5.9		
Net increase pertaining to ENI	" 5.9		
There were 24,060 persons directly employed by the Group at the end of 1960 in comparison with 21,542 at the end of 1959. The added value per employee was Lit. 4.7 million in 1960.			

THE MAIN ITEMS IN ENI'S STATEMENT OF ACCOUNTS AT 30th APRIL, 1961

	Milliard		Milliard
Share participations	Lit. 74.8	Endowment fund and reserves	Lit. 47.9
Financing to subsidiary companies	" 125.0	Loans and bonds	" 150.1
Other assets	" 75.3	Other liabilities	" 62.9
		Net profit for the year	" 6.2
	Lit. 275.1		Lit. 275.1

The year's profit has, pursuant to Article 22 of ENI's Act of Establishment, been split up as follows:—
To the Treasury Lit. 4.0 milliard
To Ordinary Reserve " 1.3 "
To scientific and technical research and training of personnel " 0.9 "

commendable. In Argentina, as a result of its successful work the previous year and proved technical ability, it was awarded the contract to drill another 300 wells, thus bringing the total number of wells to be drilled up to 600. Another work of considerable importance was started in India. This is an oil pipeline 1,140 kms. long for Oil India Private Co.

PERSONNEL AND WELFARE FACILITIES

Very careful attention was paid to the preparation and training of the Group's personnel. Courses for executives were held at ENI's Business Management and Technical Institute and the companies at the head of each of the various sectors of activity arranged workmen's courses at their training centres. On the welfare side, thousands of employees and their families spent their holidays in the hotel and chalets at ENI's village built in the mountains at Corte di Cadore, near Cortina, and something like 2,500 children enjoyed the camping and holiday home facilities both at Corte di Cadore and by the sea at Cesenatico.

WILLIAM JACKS & COMPANY, LIMITED
(Merchants and Engineers)

A NOTABLE TRADING ACHIEVEMENT

The thirty-fifth annual general meeting of William Jacks & Company, Limited will be held on September 12th in London.

The following is an extract from the statement by the chairman, Mr W. Gray Buchanan, which has been circulated to Shareholders:

As forecast at our last meeting, the results for 1960 were better than those for 1959. Turnover increased and the group net profit was £157,000 compared with £109,000 for 1959. Your Board recommend a Final Ordinary Dividend of 5½d. making 7½d. per share for the year compared with a total of 6d. per share for the previous

year. It is also proposed to repeat the distribution of 2d. per share out of realised capital profits. At a later meeting it will be proposed to make a Bonus Issue from General Revenue Reserve of one Ordinary Share for every ten held. This will increase the Issued Capital to over £1 million and will make the ordinary shares eligible for trustee investment. An increase in the Authorised Capital will be necessary.

Mr Buchanan then commented on conditions and price fluctuations in the metal market, i.e. copper, tin, lead, zinc and pig iron.

Referring to overseas trade, he said that the company's exports in 1960 amounted to £4,667,000, an increase of £200,000.

Commenting on prospects, Mr Buchanan said: Results for the first quarter of this year were very much the same as for the first quarter of 1960, but I will give a more up-to-date indication at the meeting on September 12th. Unexecuted orders on hand at overseas branches at June 30th were, however, greater than at the corresponding date last year.

COLVERN LIMITED

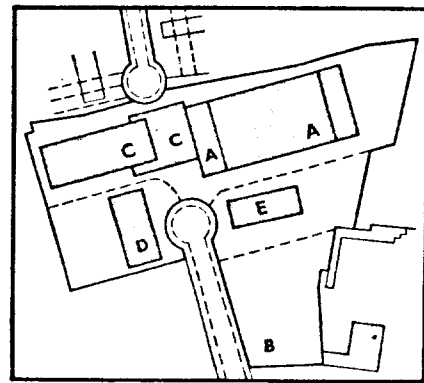
ANOTHER RECORD YEAR

IMPORTANT ACQUISITIONS

MR L. A. REDDALL ON THE PROSPECTS

EXTENSION OF PREMISES

The increase in the value of freehold land and buildings shown on the balance-sheet results from the purchase of adjacent properties during the year and progress payments on our main building extension. The importance of these acquisitions to the future progress of your Company can be fully appreciated by reference to the site plan printed below which shows our three-acre site at Spring Gardens, Romford, and the disposition of the buildings thereon, which can be identified, viz:



- "A" Spring Gardens Offices and Works.
- "B" Industrial Building Site purchased 1956.
- "C" 40,000 sq. ft. Four-storey extensions.
- "D" Childen Engineering Ltd.
- "E" Warehouse cum factory Building with additional land—Purchased December, 1960.

(Our Mawneys Road Works, approximately one mile distant from Spring Gardens, is not included in the site plan.)

Prior to our taking it over, the Childen Engineering Co. had for some time been largely

FUTURE PROSPECTS

Sales, which for the year ended March 31, 1961, were a record for your Company, both at home and overseas, have continued at a satisfactory level so far in the current year. Our order book is extensive and provided political and economic conditions permit, I see no reason why your Company should not continue its steady progress, sharing in the growth that must undoubtedly take place in the electronics industry.

The report and accounts were adopted.



DAIMLER-BENZ AKTIENGESellschaft STUTT GART

At the Annual General Meeting of Daimler-Benz Aktiengesellschaft, held on July 28, 1961, the following report was presented to the shareholders:

PRODUCTION (number of items)			
Private motor-cars	1958	1959	1960
.....	99,209	108,440	122,684
Annual rate of growth	22.6%	9.3%	13.1%
Monthly average	8,267	9,037	10,224
Commercial vehicles (including assembly parts)	1958	1959	1960
.....	57,482	62,598	72,960
Annual rate of growth	33.8%	8.9%	16.6%
Monthly average	4,790	5,216	6,080

In 1960 there has been a shift in emphasis in the production of private motor-cars as compared with 1959 inasmuch as more 220 types (+ 73 per cent) and fewer 180 types (- 20.5 per cent) were produced. It was possible to improve delivery periods for the 220 types quite considerably but in view of the limitation of the overall capacity this led to a temporary increase in the delivery periods for the four-cylinder types. In 1960, the production of commercial vehicles and "Unimogs" showed an even greater increase than that of private motor-cars.

Orders received in the first five months of 1961 show an increase in all lines of production as compared with the same period in 1960 and, as there is little opportunity for increasing output, have brought about a further increase in orders in hand as at the end of May, 1961.

TURNOVER

The turnover, without that of associated companies, rose in 1960 by 17.5 per cent and, at 2,905 mill. DM, very nearly reached the Three-Milliard-Limit. In 1960 the home market was supplied rather more strongly than during the previous year, the rate of growth being 19.2 per cent. Exports increased by 15.3 per cent and the share of exports in the total turnover amounted to 1,184.4 mill. DM—40.8 per cent (41.6 per cent in the previous year).

The increase in turnover was achieved, despite stronger competition, without any noteworthy increase in prices.

EXPORT

More than 50 per cent of the total items produced is being exported, with Europe, in 1960, being the principal buyer, followed by America, Asia, Africa, Australia/Oceania, whereas, in the previous year, America was in the leading position. It was nevertheless possible in 1960 to increase exports to North America, considered the most important export market, and watched over by Daimler-Benz of North America, New York, by 7.7 per cent as compared with the previous year. In the first five months of 1961 exports to the USA, compared with the same period last year, increased by 5.5 per cent. Undisturbed exports are necessary for optimum utilisation of productive capacity.

ASSOCIATED COMPANIES

Auto Union, Ingolstadt-Duesseldorf, a 100 per cent subsidiary, reports for 1960 an increase in

production of 70.6 per cent, an increase in turnover of 34.7 per cent and an increase in the number of persons employed of 20.6 per cent. Auto Union will transfer production from the Duesseldorf works (private motor-car type Au 1000) to the now completed Ingolstadt works where the "Junior" type has been produced in constantly increasing numbers. The Duesseldorf works which cover an area of about 77,000 square metres and, at present, employ 3,800 persons, will be placed at the disposal of Daimler-Benz in order to bring about a decisive improvement in their own bottlenecks in productive capacity.

The foreign producers Mercedes-Benz Argentina SA Buenos Aires (participating ratio now about 91 per cent owing to capital increase by 400 million Pesos to 500 million Pesos) and Tata Engineering and Locomotive Company Ltd., Bombay (participating ratio unchanged at 12.8 per cent), are able, for 1960, to report again increased production and turnover figures and satisfactory trading results.

Owing to the inflationary tendency, increased competition in the motor-car trade in Brazil, and the loss of accessories supplied at more favourable prices by the German mother firm, Mercedes-Benz do Brasil SA, Sao Bernardo do Campo (capital increased by 1.6 milliard Cruz. to 6.6 milliard Cruz., participating ratio continued at 50 per cent) found themselves in a more difficult economic position in 1960. Production suffered a slight set-back and trading results deteriorated.

INVESTMENTS

185.0 mill. DM were invested in 1960. This is 15.6 per cent more than in 1959. Investments made since the currency reform have thus passed the one-milliard mark. Investments in 1960 served the purpose of expanding production, reducing delivery periods, rationalisation, and further improvement in the quality of the products. Production was increased particularly in respect of private motor-cars with a monthly maximum of 11,000 units at the end of the year under review. Present planning envisages an increase to a monthly total of 13,000 units by the end of 1962.

PERSONNEL

In spite of considerable difficulties encountered in obtaining labour, particularly in the congestion areas Stuttgart and Mannheim where the three largest works of the company are situated, the number of persons employed was increased in 1960 by 4,089 to 67,521 at the end of the year. At the end of 1960 the whole concern employed about 90,500 persons.

BALANCE SHEET

The balance sheet for 1960 is characterised by the increase in capital in the ratio of 2:1 to 270.6 mill. DM. For this purpose 100 mill. DM have been allotted to the reserves, 60 mill. DM of which are from the 1960 result and 40 mill. DM from the liquidation of value adjustments. For the capital increase about 90.2 mill. DM will be required from "General Reserve." After allocation of about 9 mill. DM the "Legal Reserve" has been increased to 10 per cent of the new capital (27.1 mill. DM).

The balance-sheet total is increased by 230.6 mill. DM, compared with 1959, or 22.9 per cent. The percentage increase in capital assets in 1960,

as compared with 1959, was slight, and working assets have decreased correspondingly. [The ratio 4/10 capital assets and 6/10 working assets is unchanged in 1960 and, in comparison with other motor-car firms, represents a low investment intensity (sic).]

There has been a slight improvement in the ratio between own capital resources and capital from outside sources shown in 1960, as compared with 1959, but own capital resources are not sufficient to cover capital assets. Excess cover results only when long-term capital from outside sources is taken into account.

In the balance-sheet for 1959 the working assets are still financed by 18.6 per cent but in 1960 only to the extent of 14.1 per cent by long-term borrowings from outside sources and further by medium- and short-term funds from outside sources. Of the increase in short-term funds from outside sources in the 1960 balance-sheet by 148.0 mill. DM, 58.2 mill. DM alone are in respect of fairly large commitments to suppliers resulting partly from the increase in the volume of business and partly from the more extensive stock held caused by delay in supplies from sub-suppliers.

Out of the net profit of 32.4 mill. DM, which has risen by 50 per cent as compared with 1959, a dividend of 12 per cent is paid on the increased capital of 270.6 mill. DM.

VARIOUS FIGURES FOR THE BUSINESS YEAR 1959-1960

	1959	1960
Number of staff (to the end of the year).....	63,432	67,521
Wages and salaries (in Mill. DM).....	404	483
Turnover—without participating companies (in Mill. DM):		
Home.....	1,444	1,721
Abroad.....	1,027	1,184
Total.....	2,471	2,905
Capital assets—without participations (in Mill. DM).....	330	405
Additions to capital (in Mill. DM).....	160	185
Since the currency reform (in Mill. DM)	860	1,045
Sum set aside for depreciation (in Mill. DM)	116	133
Since the currency reform (in Mill. DM)	639	772
Share capital (in Mill. DM):		
Before capital increase from business funds	72	180
After capital increase from business funds	180	270
Reserve Funds (in Mill. DM):		
Before capital increase from business funds	182	174
After capital increase from business funds	74	84
Long-term foreign debts (in Mill. DM).....	237	235
Balance (in Mill. DM)....	1,008	1,239
Tax on income, earnings and property (in Mill. DM)	172	214
Dividend per cent.....	12%	12%
Amount of dividend (in Mill. DM).....	22	32

Include: 7 1/2 per cent bonds 1954, other long-term loans, bank debts, amounts placed to reserves for uncertain debts of long-term character and Daimler-Benz provident fund.

SHEEPBRIDGE ENGINEERING LIMITED

INCREASED PRODUCTION AND SALES

FINANCIAL RESULTS JUSTIFY CAPITAL EXPENDITURE

LORD ABERCONWAY'S STATEMENT

The Annual General Meeting of Sheepbridge Engineering Limited will be held on September 27 in London.

The following is the Statement by the Chairman, The Right Hon. Lord Aberconway, circulated with the report and accounts:

During the year covered by the accounts, increased activity resulted in the invoiced sales of the Group being considerably higher in value than in any previous year. The increase in production was made possible largely by the decision taken last year to incur greater expenditure than usual on capital equipment. Without such expenditure we could not have met the demands for our products especially from the motor trade; while the financial results achieved this year in the face of constantly rising costs have fully justified that policy.

PROFIT AND ALLOCATIONS

The Consolidated Profit for the year before taxation was £1,157,889 compared with £1,029,538 for the previous year. After providing £575,045 for taxation, and deducting £20,581 attributable to minority interests in subsidiary companies, the profit attributable to the parent company is £562,263, which is £13,799 more than in the previous year.

The directors have decided to increase the General Reserve to £1,200,000 by the transfer thereto of a further £100,000, and recommend the payment of a final dividend of 10 per cent, making with the interim dividend of 5 per cent paid in February, a total distribution for the year of 15 per cent, the same as last year.

Since the end of the year Mr Willoughby Norman has been appointed a director of the company. We consider ourselves fortunate to have secured the benefit of his ability and experience, and are glad to have him as a colleague.

SUCCESS OF FURTHER DIVERSIFICATION

The efforts to diversify still further the activities of Sheepbridge Equipment Limited were successful, and the intake of orders was higher than in the previous year. The products of this company are being used by a widening range of industries. A new crusher, the Cuber crusher, has been introduced, and has evoked considerable interest in the quarrying industry. A new man-riding car has been developed and introduced into several collieries; and it is hoped that substantial sales will be achieved during the current year.

At Sheepbridge Stokes Limited production should be increased still further when an extension to the machine shops is completed this year. The modern transfer machines to be installed in the extension will improve the competitiveness of the company's products, and should satisfy the increasing requirements of our customers.

COMPONENTS FOR THE MOTOR INDUSTRY

Other subsidiary companies producing components for the motor industry—Automotive Engineering Limited, Light Production Limited,

Harold Andrews Sheepbridge Limited and Clews Petersen Limited—also had a very busy year and were fortunate not to suffer to any appreciable extent from the recession in the motor industry. Automotive Engineering Limited has opened a new factory at Reading and already plans are in hand for the production area to be enlarged. New plant being installed by Light Production Limited will enable the production of piston rings to be considerably increased.

During the year British van der Horst Limited installed specialised plant for the copper plating of photogravure and calico printing rolls. Such rolls were shown at the Moscow Trade Fair recently.

The business of Sheepbridge Alloy Castings Limited increased. They sold more heat-resisting centrifugal castings for gas turbine engines for civil aircraft, and more heat-resisting tubes and fittings for the petro-chemical and allied industries.

The recession in the motor industry affected the demand for some products of Sintered Products Ltd., but total sales for the year were higher than ever before because of the constantly widening range of applications for components sintered from powdered metal. Agreements have been entered into under which the company will provide technical information and assistance for the manufacture of such products in India and Australia.

Demand for the Twiflex-Dunlop industrial disc brakes manufactured by Twiflex Couplings Ltd. is rapidly increasing. One interesting development is their application to steel rolling mills.

EXTENSION OF FACTORIES

Bray Construction Equipment Ltd. continues to develop and improve its range of earth-moving equipment. The additional buildings purchased during the year have increased the manufacturing capacity and are being fully used. Record deliveries were again achieved; export business was some 40 per cent higher than in the previous year, and accounted for the majority of sales.

Last year I reported that the demand for the high precision lathes made by Hardinge Machine Tools Ltd. had showed considerable improvement during the latter half of the year then being reviewed. The improvement has continued unabated and the year's sales have been a record both at home and overseas. To increase production of lathes, and thereby shorten delivery dates, a factory is being built at Exeter and production should start early next year.

RECENT ACQUISITIONS

Last September the shares of two relatively small connected companies were bought—Perfection Engineering Co. (Coleshill) Ltd. (now renamed Perfection Engineering Ltd.) and Station Engineering Co. (Coleshill) Ltd. These companies make honing machines and spline gauges, which should be useful and suitable

additions to the machine tool side of the Group's activities.

The introduction during the year of the shorter working week in the engineering industry, and the wages award to engineers and staff, led once again to an increase in costs, both directly, and indirectly in the form of high prices paid for materials and services. It has not been possible to absorb all these additions to cost, and inevitably some increases have had to be made in the selling prices of the Group's products. The policy continues of constantly reviewing manufacturing methods and facilities, with a view to improving the quality and cheapening the cost of our products. To that end new equipment is continually being installed. This policy has enabled price increases to be kept to a minimum, and has doubtless contributed to the orders on hand at the end of the year being substantially higher in value than at any previous year end.

CURRENT YEAR'S PROSPECTS

The profitability of your company's business is highly susceptible to volume, and in view of the critical economic position of the country, your directors regard the future with caution. Nevertheless, subject to any general deterioration in trading conditions or to any difficulties peculiar to the industries we serve, the prospects for the current year look good. Increased turnover should offset narrower trading margins, and the overall profit should be maintained.

Our managing director, our executives, staff and workpeople form an able and industrious team, and shareholders should be grateful to them for achieving another successful year.

CARTER & CO.

INCREASED TRADE

The fifty-third annual general meeting of Carter & Co. Ltd. was held on August 24th at Poole, Mr C. Cyril Carter, chairman, presiding.

The following is an extract from his circulated statement for the year to April 1, 1961:

The money that has been put into equipment, and where necessary into building, has been fruitful. The fact stands out in sharp relief. In short, plant has been brought to a standard of efficiency that has made its profitable utilisation possible. Efforts to maintain the volume of trade have not only done that but have increased it appreciably.

I said last year that the demand for Poole pottery had then stretched production to its limit. To meet the situation and to make facilities for the production of Poole ovenware, buildings and new equipment had to be provided and are now in use. The Contracting Companies have produced better results but will inevitably be affected by the rise in building trade wages announced for next autumn.

Export trade of the Manufacturing Companies has been maintained. In February last I went to Australia and New Zealand where I gained much general information necessary in the consideration of trading policy and possibilities in what are, at present, our most important export markets.

Our belief, expressed last year, in the fundamental soundness of our organisation, and our confidence in its increasingly profitable operation, would appear to have been justified.

The report and accounts were adopted.

THE INTERNATIONAL TEA COMPANY'S STORES, LTD.

LARGER TURNOVER

The Annual General Meeting of this company will be held on September 11th in London.

The following is an extract from the circulated statement of the chairman, Mr F. E. Hawkins, for the year ended April 29th, 1961:

In spite of a substantial increase in turnover and in the tonnage of goods sold the trading profit for the year under review, before charging taxation and depreciation, of £2,562,021 shows a decrease of £83,407 as compared with the record profits of the previous year. The profit before taxation amounts to £1,903,416. From this has to be deducted £956,344 in respect of taxation, including equalisation reserve, leaving a consolidated net profit of £947,072, a decrease of £74,312. We propose a final dividend on the ordinary stock of 10 per cent less tax, making 12½ per cent for the year (the same as for the previous year).

We have had to contend with rapidly increasing and intensified competition. This increasing competition has brought with it a general lowering of retail prices in order to attract custom and whilst we have been successful in securing increased turnover, to do so we have had to accept a reduced margin of gross profit. At the same time we have been faced with increases in expenses amounting to approximately £350,000, of which increases in wages and salaries alone accounted for nearly £250,000. These are the main reasons for the somewhat lower profits.

COMPANY MEETING REPORTS

SUCCESS OF SELF-SERVICE

Your board were among the first to appreciate the advantages of self-service, both to the company and its customers, and for several years have been engaged in converting all suitable existing branches to this method of trading and in the opening of new self-service shops. During the year under review we have made good progress, no fewer than 70 branches having been added to the self-service list (as compared with the predicted 52 in my last review), making a total of 322, and we anticipate completing a similar number of conversions and new openings during the current year. The profits of some of the latest self-service branches, in spite of immediate increases in turnover, have been temporarily affected by disturbance to trade during conversion and by the heavy initial expenses involved. On the basis of past experience, it is reasonable to assume that these branches will produce considerably improved profits in future years.

Of the 322 self-service branches within the group, 23 come within the accepted description of "supermarkets" each having a selling space of over 2,000 square feet, and into these and, in fact, into all self-service shops where there is sufficient room, we are introducing fresh meat and non-food departments. We have now embarked upon a programme of further expansion.

With regard to the future, I feel it would be unwise to make any forecast, but our turnover for the current year is showing a further substantial increase—in fact, greater than the increase at this time last year over the previous year.

THE ECONOMIST AUGUST 26, 1961

THE TUNNEL PORTLAND CEMENT COMPANY LIMITED

PRODUCTION CAPACITY STRETCHED TO THE LIMIT

FUEL TAX AND GOVERNMENT'S EXPORT EXHORTATIONS

The fiftieth Annual General Meeting of The Tunnel Portland Cement Co. Ltd. will be held on September 14th.

The following is an extract from the Review by the Chairman, Mr N. M. Jensen, which has been circulated with the Accounts:

The Company's deliveries during the year under review constitute a record, and so does Trading Profit which reached the sum of £3,217,925 for the group.

Home deliveries for the Industry increased by 7 per cent during the calendar year 1960. During the first six months of the current year Home deliveries of the Industry were 11 per cent in excess of the same period last year, which means that capacity has been stretched to the limit. We have been able to deliver our full share of these increases.

The expansion programme which I referred to last year was put in hand during the Autumn. If the demand for cement continues to rise, your Directors will consider the duplication of the works in North Wales.

In the April Budget, the Government introduced a tax on fuel oils approximately equal to £2 per ton of the fuel oil we use and as a result of the recent emergency measures this has been increased by a further 4s. Have the powers that be, really stopped to consider the implication of such a tax? It affects many industries. In most cases these industries have no alternative but to pass the tax on to consumers, and this is bound to have an inflationary tendency of the worst kind.

When we decided to switch over to fuel oil, we were assured that should we wish to revert to coal, there would be no difficulty. This position has now materially changed.

The imposition of the 44s. fuel tax means that our fuel oil costs are now 60s. to 71s. per ton more than those of some of our Continental competitors. The answer to the Government's request for us to export more of our product is that it just cannot be done, except by heavy sacrifice or by home production subsidising export. We have endeavoured to find out whether the Coal Board can supply us with suitable coal, but their response has been far from satisfactory. Prices have again risen substantially; yet at the same time suitable British coals are sold to some of our competitors on the Continent at prices approximately two-thirds of those we are being asked to pay.

When the full impact of the fuel oil tax has been felt, I hope the Government will have realised it is no use imploring British industries to export more unless such industries are able to obtain their fuel and power requirements at competitive prices.

With regard to former Egyptian investments, Mr Jensen says:

The compensation so far received represents no more than 21 per cent of the claim, and I am sorry to say that in spite of our efforts we have been unable to obtain any information about future distributions.

THE ECONOMIST AUGUST 26, 1961

COMPANY MEETING REPORTS

BANCO DE CREDITO DEL PERU

Head Office: LIMA

CONDENSED BALANCE SHEET

30 JUNE, 1961

ASSETS		LIABILITIES	
Cash and Funds available	S. 920,472,860.61	Capital	S. 100,000,000.00
Loans and Discounts	2,191,147,111.99	Reserves	156,074,187.66
Securities	47,960,143.48	Deposits	2,862,697,242.83
Securities held as Guarantee for Savings Deposits	35,309,612.50	Exchange Operations	354,870,551.99
Bank Premises, Furniture and Fixtures	56,800,001.00	Provisions and Sundry Creditors	644,466,044.03
Exchange Operations	356,610,017.37	Interest Collected, Commissions and other Income	185,398,486.43
Sundry Debtors	517,519,100.46		
Interest Paid and Payable, Personnel Expenses, Taxes, etc.	177,687,665.53		
Total	S. 4,303,506,512.94	Total	S. 4,303,506,512.94
Securities held as Collateral against Loans, and in Safe Custody	S. 1,891,899,952.06	Deposits of Securities held as Collateral against Loans and in Safe Custody	S. 1,891,899,952.06
Bills for Collection	3,500,910,237.84	Deposits of Bills for Collection	3,500,910,237.84
Mortgage Guarantees	208,147,020.67	Mortgage Guarantees	208,147,020.67
Debtors per Contra	88,310,186.44	Creditors per Contra	88,310,186.44
General Total	S. 9,992,773,909.95	General Total	S. 9,992,773,909.95

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COMPANY AFFAIRS

H. J. Heinz

FOR H. J. Heinz, the British subsidiary of the American parent, to secure an increase of 6½ per cent in sales is a commendable but not an exceptional achievement, for the trade in foods of convenience is becoming increasingly dominated by self-service stores and supermarkets. But to secure at the same time an increase of 11 per cent in gross profits from £4,279,000 to £4,753,000 in the year to April 29th, and of 9½ per cent in net profits from £2,330,000 to £2,554,000 certainly is remarkable, for margins on pre-packaged food are under the double pressure of competition between manufacturers and the growing power of the grocery chains to demand and to get better discounts. The crumbling of resale price maintenance in the grocery trade has, in fact, put a premium on management in food manufacture. The latest results suggest that Heinz is well able to hold its own.

In preparation for the growth in sales, the company built a new factory at Kitt Green and is busy modernising the older one at Harlesden. Additional finance was secured by the issue of a 5½ per cent debenture and the final call on this debenture in May, 1960, is reflected in the reduction in the bank overdraft from £2,239,000 to £972,000. Interest rates have risen sharply since then so that completion of the capital programme, on which outstanding commitments amounted to £775,000 at the end of April, appears to be more dependent than before upon the cash flow. In preparation for competition the company added to the number of varieties it produces, especially in the "ready to serve" and "condensed" soup ranges and in baby foods (where Heinz, developing what its chairman now characterises as a "major product group," appears to have established a good lead over its rivals). Competition among food manufacturers is really joined at the grocer's counter and though Mr Howard J. Heinz says that higher wages, more costly marketing and increases in other costs were more than offset by operating economies and lower costs for some materials, he also refers to "more intensive marketing activities" and an improvement in "merchandising and delivery services." In particular, the new terms of trade introduced by Heinz last year, which apparently offer better discounts for bulk orders, have stood the company in good stead. Exports, too, have risen, even though new manufacturing facilities have been established abroad.

In all, the company has adjusted its operations to more intensive competition and, not surprisingly, Mr Heinz's conclusion is that, while margins will be under greater pressure than ever, he believes that the company will hold on to its market and

continue to grow satisfactorily. For the few minority shareholders of the unquoted ordinary capital in this country, this statement must appear as heartening as the increase in the ordinary dividend from 23 to 29 per cent, covered about 2½ times, and in the gross return on capital employed from 22 to 22½ per cent in a year of greater competition.

International Tea

FIERCER competition confronts not only the food manufacturers such as H. J. Heinz but the grocers themselves. This is made abundantly clear by the results of International Tea, one of the pioneers in self-service stores and supermarkets in this country, for the year to April 29th. In 1959-60 the company's policy of releasing money by selling and then leasing-back freehold properties so as to convert its stores to self-service appeared at last to be paying off, for its trading profits rose by about 17 per cent. In 1960-61, however, they fell slightly from £2,645,000 to £2,562,000 and the ordinary dividend which had been raised to 12½ per cent in 1959-60 was left unchanged. Depreciation, reflecting the fitting-up of shops converted to self-service, has risen and the gross return on capital employed has fallen from 13¼ to 11½ per cent.

This, as the chairman, Mr F. E. Hawkins, explains, is the natural consequence of more intensive competition. New food shops have been opened, often in close proximity to International Tea's own branches; prices have been cut; costs, particularly of wages, have risen; and though International Tea has again added to its turnover it has earned lower margins. The fall in the gross return is also partly the result of International Tea's own policies, for it has secured the finance it required for converting its stores at the cost of higher rentals. Clearly, however, the directors are convinced that conversion to self-service is the policy that they must continue to pursue. In 1960-61, International Tea converted or opened another 70 self-service branches, bringing the total number up to 322 stores (of which 23 stores are supermarkets) and it expects to complete a similar number of conversions and new openings this year. But this is not the end, for new sites and premises are being acquired and the directors have signed another contract with Legal and General for the sale and leasing back at appropriate times of further freehold properties. Thus financial provision has been made for further development and expansion, which in addition to self service stores and supermarkets includes the building of a new warehouse. The profits of new self-service stores are affected, Mr Hawkins admits, by the disturbance to trade during the conversion and by heavy initial expenses, and he says that

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warehousing expenses may also rise while the new warehouse is being completed.

Investors cannot therefore look for the certainty of jam tomorrow but they may look for the possibility of jam a few years ahead. Before, however, they commit themselves whole-heartedly to the concept of growth in International Tea's shares (which currently yield 4.8 per cent, 1½ times covered, at 13s.) or, for that matter, in other grocery equities they should ask themselves whether self-service and supermarkets, even if they squeeze the independent traders out, will add all that much to the profits of the multiples and the chains. The latter's bargaining power with the manufacturers is enhanced but the sheer size of their operations may well add to the ferocity of competition for the customer's shillings.

Mercury Securities

THROUGH Mercury Securities the public can share in the fortunes of S. G. Warburg, one of London's liveliest merchant banks, and this potential puts a high price on Mercury's shares. Most of them are tightly held and they are quoted at £17¼ to yield 2 per cent. In the year to March 31st, profits before tax of Mercury Securities, after the usual undisclosed transfer to reserves by the banking subsidiary, were £2.13 million, 14 per cent below the record level of £2.48 million in 1959-60, but still 72 per cent above the 1958-59 level of £1.24 million. After deducting tax and minority interests profits amounted to £1,003,000—£90,000 lower than in 1959-60, but £440,000 higher than in 1958-59. The total payment has been left unchanged at 35 per cent, including a bonus of 10 per cent, and it is covered over three times.

The chairman Mr Sigmund Warburg, again emphasises that banking profits, which account for a substantial part of earnings, are subject to "marked fluctuations." In the 1959-60 accounts it was mainly the fees from handling big single financial transactions that doubled profits. This year profits from this source have obviously been much smaller, since the slight fall in profits was accompanied by a big increase in the bank's customary business. Advances doubled from £6.3 million to £12.3 million and acceptances rose by £2.5 million to £7.4 million. During the year Mercury Securities acquired the United States companies associated with Stewart Smith and Co., the London insurance broking firm owned by Mercury since 1955. This move is reflected in the charge of £562,000 against Mercury's reserves during 1960-61, and presumably in the appearance of £2 million United States Treasury bills in the accounts.

Pasolds

AT 60s. 6d. the 5s. "A" shares of Pasolds are close to their high point for the year and yield only 1.3 per cent. Clearly investors have as much confidence in the group as mothers appear to have in

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its well-known brand of "Ladybird" children's wear. The report for the year to March 31st supports this feeling of confidence. The rise in turnover in 1959-60 was 8 per cent, but in 1960-61 total sales rose by 18 per cent to £4¼ million while trading profits rose by 19 per cent, from £695,000 to £819,000 compared with 7½ per cent in 1959-60. A sharp increase in tax limited the rise in net profits to less than 6 per cent from £372,000 to £391,000 but the ordinary dividend has been raised from 15 to 16 per cent, covered 3¼ times.

The outlook appears to be good. The Canadian subsidiary has added steadily to its sales, even though other textile firms in this market have found the going hard in the face of American and Far Eastern imports. In Europe the directors believe that if Britain enters the common market the group, having already established a German subsidiary, will more than hold its own. The group's expert merchandising kept its expenditure to about £80,000 on advertising last year. The directors are confident that the big European market offers great scope for a policy of automation and economies of scale. Although demand for the group's products in this country is still running ahead of supplies they have therefore deliberately set out to establish a foothold in more competitive markets overseas.

Tunnel Portland Cement

THE second biggest of Britain's cement producers, Tunnel Portland, supplies about 13 per cent of deliveries in the home market, compared with Associated Portland's share of about 60 per cent and Rugby Portland's share of about 8 per cent. All have recently been working to capacity and all intend to add new kilns, primarily to serve the home market. All, however, export some cement and the chairman of Tunnel Portland, Mr N. M. Jensen, has pointed out that the rising cost of fuel, which forms a substantial part of total costs in the industry, is jeopardising the industry's attempt to export, remarking that "the answer to the government's request for us to export more and more of our product is that it just can-

Years to March 31	1959 £'000s	1960 £'000s	1961 £'000s
Trading profit	2,569	3,069	3,218
Depreciation	558	647	685
Investment income	214	229	273
Taxation	1,025	1,173	1,279
Net Profit	1,083	1,404	1,472
Ordinary dividend	426	539	575
Ordinary dividend, per cent	12	15	16

not be done, except by heavy sacrifice or by the home production subsidising export." The group has therefore applied for permission to import coal from Poland.

The preliminary results of Tunnel published in July came as a disappointment to the market for though the total dividend was raised from 15 to 16 per cent and the tax-free distribution from capital profits was doubled to 2 per cent the profits rose by rather less than had been expected. Trading profits in the year to March 31st rose by

COMPANY AFFAIRS

only 5 per cent from £3,069,000 to £3,218,000, compared with a 20 per cent rise in 1959-60. The lack of buoyancy reflects in part the failure of one of the older kilns at West Thurrock. As the cement industry's deliveries are currently 11 per cent higher than they were in the same period in 1960, capacity has been stretched to the limit and Tunnel has only been able to hold on to its share of the market by importing clinker. The group is adding to its capacity, though Mr Jensen says the developments now in train will be inadequate if demand continues to rise at its current rate. In any case benefits from using the new capacity will not appear for another twelve months and this could limit the rise in profits this year. The 16 per cent dividend, however, is covered 2½ times and at 38s. 3d. the 10s. ordinary shares yield 4.2 per cent.

Steel and Company

AN interim statement in January from this engineering group revealed that profits for the first eight months of the financial year to March 26th last were higher than those for the whole of 1959-60 even though the year opened on an admittedly dull note. The improvement was well maintained in the last months of the financial year and over the full twelve months gross profits rose by as much as 77 per cent, from £721,000 to £1,276,000. A less than proportionate rise in the tax charge resulted in a rise of 92 per cent in net profits, from £326,000 to £625,000 and though the interim dividend was left unchanged at 10 per cent the directors have now raised the final from 10 to 12½ per cent on the capital as increased by the one-for-six rights issue in February. The bigger dividend is covered almost 2½ times by earnings, compared with less than 1½ times in 1959-60.

The group's products include mechanical handling equipment, process plant, merchandising and service plant and components and the chairman, Mr J. Steel, says that the record trading profit in 1960-61 is the result of capacity working in the group's more important factories. Traditional products are still proving profitable and newly introduced products that have widened the group's range should contribute to profits very soon. Further products are due to be introduced and this will involve some development expenditure. The order book is full enough to keep the group busy for most of the current financial year and output is currently running ahead of last year's record level. Mr Steel welcomes Britain's application to join the common market and though entry would require some readjustment in the group's facilities and policies he believes that the group would do well in the European market. In particular, the group's principal division which is concerned with mechanical handling equipment should gain from a broadening of the market. The 5s. ordinary shares have risen by 4s. 6d. since the results were published and at 29s. yield 3.9 per cent.

London Stock Exchange

FIRST DEALINGS:	Aug. 4	Aug. 21	Sept. 4
LAST DEALINGS:	Aug. 18	Sept. 1	Sept. 15
ACCOUNT DAY:	Aug. 29	Sept. 12	Sept. 26

LAST week was particularly quiet on the stock market with the lowest number of bargains marked for any week this year. The opening of a new account on Monday aroused very little interest; before the weekend the failure of the Colvilles rights issue had depressed the market. The tense Berlin situation and signs of narrowing profits continue to discourage buyers after the weekend. This week small sellers have been in a majority in a very thin market and the firmness of gilt-edged over the past fortnight has given way to small falls, partly because some holders have sold in order to meet their new commitments in rights issues. Equity prices also declined just before and after the weekend but a minor rally on Tuesday limited the net fall and over the week to Wednesday's close *The Economist* indicator lost 3.2 points to 366.0.

Price movements among gilt-edged stocks were small by comparison with those of recent weeks. Both short and medium dated stocks displayed small but mixed movements as a result of switching. Long-dated stocks fell back slightly, with 3½ per cent Funding 1999-2004 losing ¼ to 56. The irredeemable stocks were also lower; 3½ per cent War Loan lost ¼ to 52½ and 2½ per cent Consols lost ¼ to 38¼. Dominion stocks fell back around the weekend but closed the week to Wednesday's close without net losses. Corporation stocks also held their ground.

Bank share prices declined before the weekend and on Monday the opening of dealings in the new Barclays shares following the rights issue led to further falls. Despite gains on Wednesday, Midland lost 2s. to 77s. 6d. Insurance shares were also dull before the weekend, and the announcement of the Eagle Star rights issue led to further falls; Eagle Star lost 8s. 6d. to 107s. 6d. and Prudential "A" ¼ to 22½. Hire purchase shares were firm before the weekend but eased later; Bowmaker gained 4½d. to 14s. 9d. but UDT lost 3s. 9d. to 146s. 3d. The failure of the Colvilles rights issue depressed steel share prices but later press comment on United Steel led to some improvement. Colvilles lost 4½d. over the week to 55s. 9d. and John Summers 9d. to 43s. 10½d. Engineering shares were dull and stores also lost ground.

Oil shares closed lower with Shell falling back on Paris selling and Ultramar on the publication of the full report. Among motor shares, Leyland lost 7½d. to 97s. 10½d., in all, having fallen quite sharply on the announcement of the changes in the board of directors of Standard Triumph. Though Unilever lost 2s. on Wednesday, earlier American buying contributed to a net rise over the week of 1s. to 144s. 9d. Kaffir shares showed little net change over the week but tins held up and Tronoh gained 6d. to 77s. 6d.

LONDON AND NEW

Prices, 1961		Price, Aug. 16, 1961		Price, Aug. 23, 1961	Net Yield, Aug. 23, 1961	Gross Yield, Aug. 23, 1961	Prices, 1961		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Aug. 16, 1961	Price, Aug. 23, 1961	Yield, Aug. 23, 1961	Cover
High	Low	High	Low				High	Low		High	Low				
BRITISH FUNDS AND GUARANTEED STOCKS															
92 1/2	88 3/4	Savings Bonds 3%.....1955-65	88 1/2	88 1/2	£ s. d.	£ s. d.	89 7/12	64/-	13 c	6 1/2 a	BANKS, DISCOUNT & HP	72 3/4	68 3/4	3 81	...
101 1/2	99 1/2	Conversion 4 1/2%.....1962	99 1/2	99 1/2	4 7 4	6 4 0	100 3/4	74 3/4	16 c	6 1/2 a	Barclays.....£1	84 9/16	84 9/16	3 78	...
93 3/4	93 1/4	Exchequer 3%.....1962-63	93 1/2	93 1/2	4 7 4	6 4 0	100 3/4	74 3/4	16 c	6 1/2 a	District.....£1	84 9/16	84 9/16	3 78	...
101 1/2	98 3/4	Treasury 5 1/2%.....1962	99 3/4	99 3/4	3 10 7	6 3 3	80/-	58 7/12	13 c	5 a	Lloyds.....£1	61 9/16	61 9/16	3 53**	...
93 3/4	90 1/4	Exchequer 2 1/2%.....1963-64	90 1/2	90 1/2	5 3 7	6 6 4	74 3/4	18 7/12	8 b	7 a	Martins.....£1	20 3/4	20 3/4	3 70	...
99 1/2	96 3/4	Conversion 4 1/2%.....1963	96 1/2	96 1/2	4 9 6	6 11 2	94 3/4	67 3/4	19 c	9 1/2 a	Midland.....£1	77 9/16	77 9/16	3 87**	...
98 1/2	94 1/2	Conversion 4 1/2%.....1964	95	95 1/2	4 10 3	6 10 1	95 5/8	58 9/16	7 b	7 a	Nat Provincial.....£1	80 3/4	78 3/4	3 58	...
101 1/2	96	Exchequer 5 1/2%.....1966	96 1/4	96 1/4	4 6 5	6 9 5	95 5/8	58 9/16	7 1/2 b	6 3/4 a	Westminster 'B'.....£1	79 9/16	75 9/16	3 89	...
83 1/4	78 3/4	Funding 3%.....1959-69	79	79	5 6 6	6 14 10 1/2	43 9/16	35 7/12	8 b	4 a	Australia & N.Z.....£1 p.p.	37 9/16	37 9/16	6 40	...
89 3/4	86	Funding 4%.....1960-90	86 1/2	86 1/2	3 17 4	5 12 6	52/-	43 9/16	8 b	4 a	Bk. Lond. & S. Amer.....£1	46/-	44 9/16	4 47	...
79 3/16	74 3/8	Savings Bonds 3%.....1960-70	75 3/4	75 3/4	5 5 8	6 13 0 1/2	52 1/2	43 9/16	8 b	4 a	Bank of Montreal.....£1	24 1/2	24 1/2	2 86	...
84 3/4	80 3/4	Savings Bonds 2 1/2%.....1964-67	81 1/2	81 1/2	5 9 2	6 12 5 1/2	30 3/4	25 3/4	8 c	9 c	Bank of New S. Wales £20	26 1/4	26 1/4	5 38	...
72 1/16	66 1/4	Savings Bonds 3%.....1965-75	67 1/2	67 1/2	5 3 10	6 13 6 1/2	44 9/16	32 9/16	10 c	5	Chartered.....£1	36 9/16	37 9/16	5 30	...
83 1/16	78 3/8	Funding 3%.....1966-68	79 3/4	79 3/4	5 8 5	6 15 2 1/2	42 1/2	31 9/16	8 a	7 1/2 b	Hongkong & Shang.....£25	11 1/2	11 1/2	5 83**	...
97 1/2	92 1/2	Victory 4%.....1920-76	93 3/4	92 3/4	3 9 7	5 2 1 1/2	50/-	50/-	9 b	10/- b	Nat. Com. Bk. Scot.....£1	52 9/16	50 9/16	3 27	...
85 1/2	80 1/4	Conversion 3 1/2%.....1969	81 3/4	81 3/4	5 4 7	6 15 2	42 9/16	32 9/16	10 c	9 a	Royal Bk. Canada.....£10	102 9/16	102 9/16	2 90	...
93 1/2	87 1/4	Conversion 5%.....1971	88 3/4	87 3/4	4 13 3	6 15 1 1/2	119 9/16	96 3/4	10 b	9 a	Royal Bk. of Scotland.....£1	102 9/16	101 9/16	3 74	...
95 1/2	88 1/2	Conversion 5 1/2%.....1974	88 3/4	88 3/4	4 8 10	6 13 9	40 3/4	34/-	5 a	10 b	Stand. Bk. S. Africa.....£1	35 9/16	34/-	8 82	...
73 1/4	66	Treasury 3 1/2%.....1977-80	67 1/2	67 1/2	4 17 7	6 13 4 1/2	165/-	95/-	22 1/2 c	22 1/2 c	Hambros.....£1 f.p.	135/-	135/-	3 33	...
72 1/4	65	Treasury 3 1/2%.....1979-81	66 1/2	66 1/2	4 17 5	6 12 11 1/2	89 9/16	57 9/16	5 b	2 1/2 a	Schroders.....£1	74/-	73 9/16	2 04	...
97 1/16	88 1/2	Funding 5 1/2%.....1982-84	88 3/4	88 3/4	4 3 5	6 10 3 1/2	60 9/16	49 9/16	6 1/4 a	6 1/4 a	Union Discount.....£1	47/-	47 3/4	5 29	...
59 1/2	51 3/4	Redemption 3%.....1986-96	53 3/4	52 3/4	4 11 11	6 10 5 1/2	27 4 1/2	13/-	18 c	Nil a	Bowmaker.....£1	14 1/2	14 9/16	1 14	...
88 1/4	80 1/2	Treasury 5%.....1986-89	81 1/4	80 3/4	4 6 2	6 13 1 1/2	23 9/16	15 9/16	9 1/4 a	9 1/4 a	Lombard Banking.....£1	16 1/2	15 9/16	6 03	...
63 1/16	55	Funding 3 1/2%.....1999-2004	56 1/4	56	4 9 5	6 12 9 1/2	21 9/16	13 9/16	7 1/2 b	5 a	Mercantile Credit.....£1	14 3/4	14 7/12	4 27	...
94 3/4	81 3/4	Treasury 5 1/2%.....2008-12	81 3/4	81 3/4	4 4 9	6 15 3 1/2	210/-	135/-	4 a	22 1/2 b	United Domin. Tst.....£1	150/-	146 3/4	3 62	...
65 3/4	56 1/2	Consols 4%.....after Feb. 1957	58 3/4	58 1/4	4 4 4	6 18 0	1								
59 1/4	50 1/2	War Loan 3 1/2%.....after 1952	52 3/4	52 1/2	4 2 5	6 15 5 1/2	13/-	11 3/4	5 a	8 1/2 b	Bass, M. & B.....£1	11 9/16	11 4 1/2	4 84**	...
59	50 1/2	Conv. 3 1/2%.....after Apr. 1961	52 3/4	52 3/4	4 2 10	6 16 8	13/-	11 3/4	5 a	8 1/2 b	Distillers.....£1	36 3/4	36 3/4	3 75	...
50 3/4	43 1/4	Treasury 3%.....after Apr. 1966	45 1/2	45 1/4	4 2 9	6 16 6 1/2	41 1/2	31/-	6 1/2 b	4 a	Flowers.....£1	17 9/16	16 9/16	3 18	...
44	36 1/2	Consols 2 1/2%.....after Apr. 1975	38 3/4	38 1/4	4 0 6	6 11 11 1/2	26 9/16	13/-	14 1/2 b	8 a	Guinness.....£1	53 9/16	51 9/16	4 27**	...
43 1/2	36 1/2	Treasury 2 1/2%.....after Apr. 1975	38 3/4	38 1/4	4 0 6	6 11 11 1/2	26 9/16	13/-	14 1/2 b	8 a	Ind. Coope. T.A.....£1	12 9/16	12 9/16	4 66**	...
91 1/16	85 1/4	British Electric 4 1/2%.....1967-69	86 1/2	86 1/2	4 17 1	6 15 4 1/2	14 9/16	12/-	5 a	7 1/2 b	Teacher (Distillers).....£1	32 9/16	32 9/16	3 85	...
75 1/16	70 1/2	British Electric 3%.....1968-73	71 3/4	71 1/2	5 4 7	6 14 6 1/2	76 9/16	26 9/16	12 b	8 a	Watney Mann.....£1	90 9/16	90 9/16	3 98	...
70 3/8	64 1/2	British Electric 3%.....1974-77	65 3/4	65 3/4	5 1 6	6 11 5 1/2	33 9/16	26 9/16	8 a	19 b	Whitbread 'A'.....£1	29 9/16	27 9/16	4 91	...
81 7/8	75	British Electric 4 1/2%.....1974-79	77 1/2	75 3/4	4 12 11	6 12 2 1/2									
73 1/2	67	British Electric 3 1/2%.....1976-79	68 1/2	68	4 17 2	6 12 11 1/2									
84 3/4	78 3/4	British Gas 4%.....1969-72	79 1/2	79 1/2	4 18 1	6 13 10 1/2	96 9/16	70 3/4	4 a	8 1/2 b	Associated Portland.....£1	73 9/16	70 3/4	3 56	...
81 1/16	76	British Gas 3 1/2%.....1969-71	76 3/4	76 3/4	5 2 6	6 14 0	28 11 1/2	21 1/2	4 a	7 1/2 b	British Plaster Bd.....£1	22 10 1/2	22 4 1/2	5 59	...
59 1/8	51 3/4	British Gas 3%.....1990-95	53 1/2	52 3/4	4 13 2	6 11 1 1/2	26 10 1/2	17 9/16	6 a	10 b	Richard Costain.....£1	18/-	18/-	4 44	...
75 1/16	70 1/2	British Transport 3%.....1968-73	71 3/4	71 1/2	5 4 7	6 14 6 1/2	13/-	9 4 1/2	10 b	5 a	Crittall Mfg.....£1	10 9/16	9 9/16	7 59	...
80 3/8	74	British Transport 4%.....1972-77	74 3/4	74 3/4	4 14 9	6 12 10 1/2	10 9/16	10 9/16	6 a	14 b	International Paints.....£1	11 9/16	11 9/16	6 96	...
61 1/16	53 1/4	British Transport 3%.....1978-88	55 3/4	55 1/4	4 17 1	6 12 5 1/2	10 9/16	10 9/16	25 c	25 c	Rugby Portland.....£1	52 9/16	52 9/16	2 38	...

Prices, 1961		DOMINION AND CORPORATION STOCKS		Price, Aug. 16, 1961	Price, Aug. 23, 1961	Yield, Aug. 23, 1961	28 4/16	18 3/8	12 1/2 b	7 1/2 a	Taylor Woodrow.....£1	21/9	21/9	4 60	1 3/4
High	Low			1961	1961		167 1/12	119 6/8	17 1/2 b	7 1/2 a	Wall Paper Deld.....£1	123/6	122/-	4 10	3 3/4
CHEMICAL															
82 1/8	76 1/2	Australia 3 1/2%.....1965-69	77 3/4	77 3/4	£ s. d.	29 3/4	22 9/16	14 b	6 a	Albright & Wilson.....£1	23 10 1/2	23 10 1/2	4 19	2 1/2	
101 1/8	95 1/2	Australia 3%.....1974-76	95 1/2	95 1/2	6 17 0	22 9/16	16 10 1/2	11 1/2 c	4 a	Borax Deld.....£1	17 9/16	16 10 1/2	3 41	3	
72 1/2	65	Ceylon 4%.....1973-75	65 1/2	65 1/2	8 11 0	81 9/16	63 11 1/2	6 1/4 a	7 1/2 b	ICI.....£1	69 7/16	68 4 1/2	4 02	2	
101 1/8	92 1/4	New Zealand 6%.....1976-80	92 3/4	92 3/4	6 12 0	26 10 1/2	20/-	5 a	10 b	Monsanto.....£1	20 9/16	20 3/4	3 70	2 1/2	
80 1/2	70 1/2	Rhodesia and Nyasaland 6%.....1978-81	70 3/4	70 3/4	9 9 0										
81	73	South Africa 3 1/2%.....1965-67	74 3/4	75	9 6 0										
59	53 1/2	Southern Rhodesia 4 1/2%.....1987-92	53 1/2	53 1/2	8 18 0	36/-	24/-	4 a	8 b	Boots Pure Drug.....£1	28 9/16	27 9/16	2 18	2 1/4	
94 3/8	85 1/4	Agricultural Mortgage 5 1/2%.....1980-85	85 1/2	86	6 14 9 1/2	91 3/4	58 9/16	20 b	7 1/2 a	Montague Burton.....£1	77 9/16	76 9/16	3 62	2	
89	82 1/4	Birmingham 4 1/2%.....1967-70	83 1/4	83 1/4	6 15 0	59 4 1/2	45/-	13 1/2 b	5 1/2 a	Debenhams.....£1	55 9/16	54 9/16	3 56	1 1/2	
92 3/4	86 1/2	Bristol 5%.....1971-73	87 1/2	87 1/2	6 16 0	70 3/4	50/-	20 a	25 b	G.U.S. 'A'.....£1	50 9/16	48 4 1/2	4 88	2	
93	87	Corporation of London 5 1/2%.....1976-79	87 3/4	87 3/4	6 10 0	21 11 1/2	15 3/4	15 c	15 c	House of Fraser.....£1	53 9/16	52 9/16	3 27	1 1/4	
48 1/4	41 1/4	L.C.C. 3%.....after 1920	43 1/4	43	6 17 0	106 9/16	85 11 1/2	15 a	32 1/2 b	Lewis's Invest. Tst.....£1	15 3/4	15 3/4	3 23	2 1/4	
89 3/8	81 3/4	L.C.C. 5%.....1980-83	81 3/4	81 3/4	6 14 0	35 10 1/2	34 10 1/2	10 a	20 b	Mark's & Spencer 'A'.....£1	97 9/16	97 9/16	2 44	1 1/4	
93	84 1/4	Middlesex 5 1/2%.....1980	84 1/2	84 1/2	6 12 0	62 11 1/2	50/-	25 b	10 1/2 a	United Drapery.....£1	44 9/16	43 9/16	3 47	1 1/2	
										Woolworth.....£1	51 9/16	50 9/16	3 53	1 1/2	

NEW YORK PRICES AND INDICES

	Aug. 16 \$	Aug. 23 \$		Aug. 16 \$	Aug. 23 \$		Aug. 16 \$	Aug. 23 \$
Atch. Topeka	26 3/4	27 1/4	Boeing	53 1/4	53 1/4	Int. Harvester	53 1/2	53 3/4
Can. Pacific	23 1/4	23 1/4	Celanese	39 1/4	37 3/4	Inter. Nickel	83 1/2	83 1/2
Pennsylvania	13 3/4	13 3/4	Chrysler	50 1/4	52 1/2	Inter. Paper	35 3/4	36 3/4
Union Pacific	35	35 5/8	Col. Palmolive	46 3/4	47 7/8	Kennecott	84 1/2	84 1/2
Amer. Electric	69 1/4	68 1/2	Crown Zeller	57 1/2	59 1/2	Monsanto	55 1/2	57 1/2
Amer. Tel. & Tel.	122 1/2	122 1/2	Distillers Seag.	40 1/2	42	Nat. Distillers	58	58
Cons. Edison	76 3/4	76 3/4	Douglas	38 3/4	38 3/4	Pan-American	18 3/4	17 1/2
Int. Tel. & Tel.	59 1/2	59 1/2	Dow Chemical	80	80	Procter Gamble	93	94
South'n. Nat. Gas ..	45 1/2	44 1/2	Du Pont	232	231 1/4*	Radio Corp'n.	59 1/2	58
United Corp'n.	9	8 1/2	East Kodak	105	103 1/2	Sears Roebuck	70 7/8	69 1/4
Western Union	44 1/2	45 1/2	Ford Motor	91 1/2	92 1/2	Shell Oil	44 1/2	42 1/2
Alcoa	78	75 1/2	Gen. Electric	68 1/2	68 1/2	Socoyn-Mobil	46 1/2	46 1/2
Aluminum	31	31 1/2	General Foods	93 1/2	93 1/2	Stand. Oil Ind.	53 1/2	52 1/2
Amer. Can.	45	45 1/2	General Motors	47 1/2	46 1/2	Stand. Oil N.J.	44 1/2	44 1/2
Am. Smelting	65 1/2	66 1/2	Goodyear	45 1/2	46	Union Carbide	137	138
Am. Viscose	54 1/2	56 1/2	Gulf Oil	37 3/8	38 1/8	U.S. Steel	85 1/2	84 1/2
Anacosta	54 1/2	55	Heinz	63	65	West. Electric	43 1/2	43 1/2
Beth. Steel	42	41 1/2	Int. Bus. Mach.	495 1/2	514	Woolworth	75	76 1/2

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

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

BRITISH			
Prices and Wages.....	July 29th	External Trade	Aug. 5th
Manpower and Output....	Aug. 19th	Industrial Profits	July 15th
OVERSEAS			
Western Europe.....	Aug. 12th	United States.....	This week

THE MONEY MARKET

For the week ended August 19, 1961, there was an "above-line" deficit (after allowing for sinking funds) of \$64,956,000 compared with a deficit of \$27,571,000 in the previous week and a deficit of \$51,442,000 in the corresponding period of last year. There was a net expenditure "below-line" of \$67,421,000 leaving a total cumulative deficit to date of \$378,667,000 compared with \$466,817,000 in 1960-61.

AFTER submitting the same bid for three weeks running the syndicate of discount houses raised its bid at last Friday's Treasury bill tender by 2d. to £98 16s. 6d., a reduction of 8d. in the annual discount rate. The average rate of discount on the whole allotment fell by only 6.68d. per cent to £6 14s. 1.83d. per cent. The outsiders left their bids largely unchanged; the upshot was that the market's allotment increased from 41 to 61 per cent.

Credit was generally adequate before the weekend but conditions on Monday and Tuesday brought help from the authorities through special purchases of bills. The market also borrowed small amounts from the Bank of England on these two days. But while the authorities were not unwilling to see the market in the Bank, there was no question of forcing the issue. The market chose to take loans at 7 per cent in preference to conceding a rate of $6\frac{1}{2}$ per cent on the sale of November bills to one of the clearing banks when the general rate was $6\frac{19}{32}$ per cent.

This week's Bank return shows discounts and advances at £92 million, a very high figure reflecting the run-down in the Basic balances.

MONEY RATES

LONDON			
Bank rate (from	%	Discount rates :	%
5%, 26.7.61)	7	Bank bills :	
		60 days	67-615 ¹ / ₆
Deposit rates		3 months	67-615 ¹ / ₆
(7 days notice) :		6 months	68-615 ¹ / ₆
Banks	5	4 months	67-67
Discount houses	5-51 ¹ / ₄	Fine trade bills :	
Local Authorities	71 ¹ / ₄	3 months	71 ¹ / ₂ -81 ¹ / ₂
Money :		4 months	71 ¹ / ₂ -81 ¹ / ₂
Day-to-Day	53-61 ¹ / ₄	6 months	8-9

NEW YORK

Official Discount	%	Treasury bills	%
rate		Aug. 14.....	2-519
(from 3½%, 11/8/60)	3	" 21.....	2-503

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits	Market Rates : Spot					
	August 23	August 17	August 18	August 19	August 21	August 22	August 23
United States \$	2 78-2 82*	2 80 ³ / ₁₆ -5 ⁵ / ₁₆	2 80 ³ / ₁₆ -5 ⁵ / ₁₆	2 80 ³ / ₁₆ -5 ⁵ / ₁₆	2 80 ⁵ / ₁₆ -7 ¹⁶ / ₁₆	2 80 ³ / ₁₆ -1 ² / ₁₆	2 80 ⁵ / ₁₆ -1 ² / ₁₆
Canadian \$		2 80 ⁵ / ₁₆ -8 ⁹ / ₁₆ ¹⁶	2 80 ⁵ / ₁₆ -8 ⁹ / ₁₆ ¹⁶	2 80 ⁵ / ₁₆ -8 ⁹ / ₁₆ ¹⁶	2 80 ⁵ / ₁₆ -1 ² / ₁₆	2 80 ⁵ / ₁₆ -1 ² / ₁₆	2 80 ⁵ / ₁₆ -8 ⁹ / ₁₆ ¹⁶
French Fr.	13 622-14 027	13 781-1 ² / ₁₆	13 777-1 ² / ₁₆	13 777-1 ² / ₁₆	13 777-1 ² / ₁₆	13 79-79 ¹ / ₁₆	13 783-79
Swiss Fr.	11 94-12 54 ¹ / ₂	12 09 ³ / ₁₆ -8	12 09 ³ / ₁₆ -8	12 09 ³ / ₁₆ -8	12 09 ³ / ₁₆ -10 ⁸ / ₁₆	12 10-10 ¹ / ₁₆	12 09 ³ / ₁₆ -10
Belgian Fr.	137-96	139 50	139 50	139 50	139 52-57 ¹ / ₂	139 55	139 57 ¹ / ₂
Dutch Gld.	9 983 ¹ / ₂ -10 281 ¹ / ₂	10 083 ¹ / ₂ -9	10 083 ¹ / ₂ -9	10 083 ¹ / ₂ -9	10 093 ¹ / ₂ -8	10 10-10 ¹ / ₁₆	10 103 ¹ / ₂ -7
W. Ger. D-Mk.	11 037-11 365	11 191-1 ² / ₁₆	11 191-1 ² / ₁₆	11 193 ¹ / ₂ -8	11 195 ¹ / ₂ -8	11 20-1 ² / ₁₆	11 193 ¹ / ₂ -20
Portug. Esc.		80 15-25	80 15-25	80 15-25	80 15-25	80 20-30	80 20-30
Italian Lire	1725-1775	1738 ¹ / ₂ -39 ¹ / ₄	1738 ¹ / ₂ -39 ¹ / ₄	1738 ¹ / ₂ -39 ¹ / ₄	1739 ¹ / ₂ -3 ¹ / ₄	1739 ¹ / ₂ -40 ¹ / ₄	1739 ¹ / ₂ -40
Swedish Kr.	14 271 ¹ / ₂ -14 70	14 45 ¹ / ₂ -46 ¹ / ₂	14 46 ¹ / ₂ -3 ¹ / ₄	14 46 ¹ / ₂ -3 ¹ / ₄	14 47 ¹ / ₂ -3 ¹ / ₄	14 48 ¹ / ₂ -3 ¹ / ₄	14 48 ¹ / ₂ -3 ¹ / ₄
Danish Kr.	19 06 ¹ / ₂ -19 62	19 35 ¹ / ₂ -8	19 35-35 ¹ / ₄	19 35-35 ¹ / ₄	19 35 ¹ / ₂ -8	19 34 ¹ / ₂ -35	19 34 ¹ / ₂ -35
Norwegian Kr.	19 71-20 30 ¹ / ₂	20 00 ¹ / ₂ -1 ² / ₁₆	20 00 ¹ / ₂ -1 ² / ₁₆	20 00 ¹ / ₂ -1 ² / ₁₆	20 00 ⁵ / ₈ -8	20 00 ¹ / ₂ -3 ¹ / ₄	20 00 ¹ / ₂ -3 ¹ / ₄

One Month Forward Rates

United States \$	11g-1c. pm	11g-15c. pm	11g-15c. pm	11g-1c. pm	11g-15c. pm	11g-15c. pm	17gc. pm
Canadian \$	5-1c. pm	11g-1c. pm	11g-1c. pm	11g-15c. pm	11g-15c. pm	11g-15c. pm	11g-15c. pm
French Fr.	5-4c. pm	45-35c. pm	5-4c. pm	5-4c. pm	41g-31c. pm	41g-31c. pm	41g-31c. pm
Swiss Fr.	6-51c. pm	6-51c. pm	6-51c. pm	6-51c. pm	52g-51c. pm	52g-51c. pm	52g-51c. pm
Belgian Fr.	45-35c. pm	45-35c. pm	40-35c. pm	40-35c. pm	40-30c. pm	35-25c. pm	35-25c. pm
Dutch Gld.	6-5c. pm	6-5c. pm	6-5c. pm	6-5c. pm	51g-5c. pm	51g-43c. pm	51g-43c. pm
N. German D-Mk.	51g-43pf. pm	51g-43pf. pm	5-41pf. pm	5-41pf. pm	5-41pf. pm	5-41pf. pm	5-41pf. pm

Three Months Forward Rates

United States \$	3-27 $\frac{1}{2}$ ¢. pm	215 $\frac{1}{2}$ -213 $\frac{1}{2}$ ¢. pm	215 $\frac{1}{2}$ -213 $\frac{1}{2}$ ¢. pm	215 $\frac{1}{2}$ -213 $\frac{1}{2}$ ¢. pm	213 $\frac{1}{2}$ -211 $\frac{1}{2}$ ¢. pm	213 $\frac{1}{2}$ -211 $\frac{1}{2}$ ¢. pm
Canadian \$	314 $\frac{1}{2}$ -215 $\frac{1}{2}$ ¢. pm	3-27 $\frac{1}{2}$ ¢. pm	3-27 $\frac{1}{2}$ ¢. pm	27 $\frac{1}{2}$ -23 $\frac{1}{2}$ ¢. pm	27 $\frac{1}{2}$ -23 $\frac{1}{2}$ ¢. pm	27 $\frac{1}{2}$ -23 $\frac{1}{2}$ ¢. pm
Swiss Fr.	16-15 $\frac{1}{2}$ ¢. pm	16-15 $\frac{1}{2}$ ¢. pm	16-15 $\frac{1}{2}$ ¢. pm	16-15 $\frac{1}{2}$ ¢. pm	15 $\frac{1}{2}$ -14 $\frac{1}{2}$ ¢. pm	15 $\frac{1}{2}$ -14 $\frac{1}{2}$ ¢. pm
N. German D-Mk.	15 $\frac{1}{4}$ -14 $\frac{1}{2}$ ¢. pm	15-14 $\frac{1}{2}$ ¢. pm	15-14 $\frac{1}{2}$ ¢. pm	14 $\frac{1}{4}$ -14 $\frac{1}{2}$ ¢. pm	14 $\frac{1}{4}$ -14 $\frac{1}{2}$ ¢. pm	14 $\frac{1}{4}$ -13 $\frac{1}{2}$ ¢. pm
Gold Price at Fixing						
Price (s. d. per fine oz.)	250/11 $\frac{1}{4}$	250/11 $\frac{1}{4}$	...	250/9 $\frac{3}{4}$	250/9 $\frac{1}{2}$	250/9 $\frac{1}{2}$
" (\$	35 16 $\frac{1}{2}$	35 16 $\frac{1}{2}$	...	35 16	35 16	35 16 $\frac{1}{2}$

BANK OF ENGLAND RETURNS

(£ million)	Aug. 24, 1960	Aug. 16, 1961	Aug. 23, 1961
Issue Department* :			
Notes in circulation	2,243.1	2,374.3	2,341.8
Notes in banking dept.	57.3	26.0	58.6
Govt. debt and securities*	2,297.5	2,398.7	2,398.7
Other securities	0.7	0.8	0.8
Gold coin and bullion	0.4	0.4	0.4
Coin other than gold coin	1.8	0.5	0.5
Banking Department :			
Deposits :			
Public accounts	11.1	12.6	14.3
Special deposits	150.5	95.0	206.1
Bankers	230.9	244.3	249.4
Others	65.8	68.6	67.9
Total	458.4	520.5	537.7
Securities :			
Government	365.8	418.7	387.0
Discounts and advances	34.0	75.2	91.7
Other	18.9	18.3	18.1
Total	418.7	512.1	496.8
Banking department reserve . . .	58.1	26.8	59.3
"Proportion"	%	%	%
	12.6	5.1	11.0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,400 million on August 16th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million)		Three Months' Bills		
	Offered	Applied for	Average Rate of Allotment		Allotted at Max. Rate ^a
1960			s.	d.	%
Aug. 19	91 day 290.0	443.6	111	8.78	50
1961					
May 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	8.47	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
" 28	250.0	426.6	133	9.22	28
Aug. 4	250.0	386.0	134	3.33	44
" 11	250.0	394.7	134	8.51	41
" 18	250.0	379.6	134	1.83	61

* On August 18th tenders for 91 day bills at £98 6s. 6d. secured 61 per cent, higher tenders being allotted in full. The offer for this week was for £260 million 91 day bills. † Allotment cut by £10 million.

FLOATING DEBT
(£ million)

	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Dept.	Bank of England	
1960					
Aug. 20	3,460.0	1,933.6	277.9	...	5,671.4
1961					
May 13	3,160.0	1,893.0	275.3	...	5,328.2
20	3,180.0	1,839.1	316.3	...	5,335.5
27	3,210.0	1,843.3	249.7	...	5,303.0
June 3	3,240.0	1,825.3	258.5	...	5,323.8
10	3,270.0	1,827.6	242.2	...	5,339.8
17	3,280.0	1,823.6	263.9	...	5,367.5
24	3,290.0	1,909.6	201.6	...	5,365.8
30	3,290.0		283.3	...	5,483.0
July 8	3,280.0	1,853.1	265.2	0.8	5,399.0
15	3,270.0	1,866.0	269.0	...	5,405.0
22	3,260.0	1,894.4	214.3	...	5,368.7
29	3,250.0	1,920.3	220.4	3.3	5,393.9
Aug. 5	3,280.0	1,882.6	207.3	...	5,369.9
12	3,290.0	1,712.9	206.6	...	5,209.4
19	3,290.0	1,732.5	316.8	1.5	5,340.7

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index 1957-59 = 100	At current prices	At 1960 prices
	1947-49 = 100						1948 = 100				\$	
1948	104.4	107.3	102.8	104.1	103.5	101.7	100	100	100	36.6	54.14	65.54
1959	119.5	89.1	124.6	118.3	107.9	129.2	117	110	106	116.7	89.47	90.83
1960	119.6	88.8	126.5	119.7	109.4	131.5	118	111	106	113.9	90.91	90.91
1961, March	119.8	89.9	127.5	121.2	109.8	132.5	116	113	103	129.8	90.71	89.99
" April	119.3	88.5	127.5	121.2	109.5	132.3	117	114	103	133.0	91.57	90.84
" May	118.7	86.8	127.4	120.7	109.6	132.3	...	...	...	134.9	92.90	92.25
" June	118.2 ^a	85.1 ¹⁰	127.6	120.9	109.6	132.4	...	...	...	132.8	94.24	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rate	Total industrial production	Manufacturing production						Building New construction; seasonally adjusted annual rates	Civilian employment ¹		
			Durable goods			Non-durable goods				Total labour force	Total employment	Unemployed as per cent of labour force; seasonally adjusted
			Total	Metals	Veh.cles, etc.	Total	Textiles, clothing	Chemicals and petroleum products				
	\$ billion		1957 = 100 ; seasonally adjusted						\$ billion	thousands		
1948	259.4	68	64	84	44	72	87	54	23.2	61,442	59,378	3.4
1959	482.8	105	102	90	98	110	115	113	56.2	69,394	65,581	5.5
1960	504.4	108	104	91	102	114	115	118	55.1	70,612	66,671	5.6
1961, February.....	500.8 ⁷	102	94	73	88	111	107	113	54.8	70,360	64,655	6.8
" March		102	95	74	88	112	110	113	55.2	71,011	65,516	6.9
" April		105	99	82	94	114	112	117	55.0	70,696	65,734	6.8
" May		108	103	90	99	116	113	122	55.7	71,546	66,778	6.9
" June.....	110	105	92	102	117	115	125	56.5	74,286 ¹¹	68,706 ¹²	6.8 ⁸	

TRADE

	Personal consumption Annual rates	Wholesale		Retail		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks ²	Sales	Stocks ²	Total	Crude materials	Semi-manuf. res.	Total	Finished goods	Imports	Exports
\$ billion; seasonally adjusted						\$ million			1948 = 100			
1948	178.3	7.5	7.9	10.9	15.8	591	179	136	1,044	591	100	100
1959	314.0	12.3	12.6	18.0	24.3	1,249	258	275	1,453	873	182	127
1960	328.9	12.3	13.2	18.3	25.4	1,221	251	258	1,692	953	175	147
1961, February	330.7 ¹	12.4	13.2	17.8	24.9	1,037	210	228	1,659	922	150	142
" March		12.5	13.3	18.1	24.4	1,235	237	265	1,904	10,096	163	163
" April	336.0 ⁸	12.5	13.4	17.9	24.4	1,046	203	225	1,688	991	152	143
" May		12.9	13.4	18.1	24.5	1,189	230	267	1,725	989	...	...
" June		...	...	18.3	...	1,189	239	254	1,678	982	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit ²		Banking statistics ¹		Budget expenditure ¹		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds ³	Corporations Aaa bonds
	\$ billion : seasonally adjusted annual rates			\$ billion : end of period		\$ billion : end of period		\$ billion		Per cent per annum		
1948	210.4	137.9	17.8	14.45	9.00	71.8	42.5	33.1	+ 8.4	1.040	2.44	2.82
1959	383.3	268.3	11.3	52.12	39.85	79.4	110.8	80.3	- 12.4	3.405	4.08	4.38
1960	404.2	283.5	12.0	56.05	43.28	81.9	117.6	76.5	+ 1.2	2.928	4.02	4.41
" February	403.1	280.2	12.9	54.10	42.26	82.6	116.7	6.2	+ 0.3	2.408	3.81	4.27
" March	407.3	281.7	13.0	53.91	42.06	81.4	116.6	7.0	+ 1.5	2.420	3.78	4.22
" April	409.8	285.2	12.9	53.97	41.99	82.5	117.2	6.5	+ 1.3	2.327	3.80	4.25
" May	413.2	288.8	12.9	54.39	42.13	83.4	117.6	7.2	- 0.7	2.288	3.73	4.27
" June	416.7	291.0	13.0	...	...	84.2	118.2	7.9	+ 2.8	2.359	3.88	4.33

(1) 1948 figures are not strictly comparable. - (2) End of period. (3) All commercial banks. (4) Annual figures are totals for the fiscal years ended June 30th. (5) Bonds due or callable from 10 to 20 years (except 1948: due or callable after 15 years). (6) July, 6-9. (7) Average for first quarter. (8) Average for second quarter. (9) July, 118-6. (10) July, 86-6. (11) July, 73,639. (12) July, 68,499.

APPOINTMENTS

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Write to: Mr. J. M. O. and enclosing stamped addressed envelope to: Director, Recruitment Department, The British Council, 100, Raffles Place, Singapore. For further particulars and application form to be returned completed within two weeks of receipt.

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Applications are invited for appointment as temporary ASSISTANT LECTURER in the Department of Economics and Commerce for the session 1961-1962 only. Salary within the range £800-£950 a year, according to age, qualifications and experience. Applicants must have a minimum interest in any of the main branches of economics. Applications (three copies stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2-4 from whom further particulars may be obtained, not later than September 11, 1961.

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The Commission for the New Towns, which will be established in 1961, will require a Secretary and a Finance Officer. There will be a contributory pension scheme.

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Applications, giving date of birth, education, qualifications and experience, should be addressed not later than 15th September to the Chairwoman, Commission for the New Towns, c/o The Ministry of Housing and Local Government, Whitehall, S.W.1.

BP HAS A VACANCY FOR A MALE STATISTICIAN

in the Economics and Estimates Branch of its Head Office in London. The successful candidate for this position will work in a team that is responsible for economic intelligence gathering, the fuel market and for the production of the pattern of oil requirements throughout the world; he will be called upon to advise the factors governing the demand for oil and energy, and therefore some experience in business forecasting is desirable. Applicants should be in their middle twenties and should possess a good degree in Economics with a genuine interest and ability in Statistics. In exceptional cases applications can be considered from men with little or no commercial experience. Salary according to age, qualifications and experience. Non-contributory Pension Fund. Assisted House Purchase scheme. Removal and settling-in allowances payable in certain cases. Lunch club—Write, quoting reference H 5610, to Box 684, c/o Hawkey House, Clark's Place, E.C.2.

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invites applications for two posts in Economics Section. Duties: To take part in planning and executing studies of the research and development needs of industries or sectors of the national economy. Qualifications: 1st or 2nd Class Honours degree in Economics with at least 3 years' postgraduate experience in economics. A lively interest in technological development is desirable. Salary range £1,400-£1,700. Application forms from: Manager, Executive Register, Admiralty House, Farnham Road, London, E.C.4. Closing date: September 25, 1961.

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The Wellcome Foundation

Limited require for their Biological Control Laboratories a **STATISTICIAN** to take charge of their Statistical Unit at Dartford.

Applicants should possess a degree in statistics or mathematics, or an equivalent professional qualification. The work entails the design and analysis of routine biological assays and of research projects. Previous experience in this field would be an advantage. Salary according to qualifications and experience.

Applications should be made in writing to the Personnel Manager, Wellcome Chemical Works, Dartford, Kent.



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The current research interests of the Department cover historical and social studies of migratory movements, natality and the factors and implications of population growth. In area the main focus has been upon Australia, New Zealand and the Pacific Islands, but research interests are now extending to south-eastern Asia and more generally to problems associated with growth in areas of high fertility and declining mortality.

Applicants should provide a succinct statement of their research interests as well as full details of their training and experience in the field of demography. The salary range of a Fellowship is from £2,120-£3,000; increments are £80 per annum. The successful applicant will, in the first place, be appointed at a salary and incremental limit fixed by reference to his standing and experience. Appointment is made for an initial period of five years; thereafter it may be made permanent. A Fellow is expected to devote one year's study leave on full pay, plus a contribution towards travel and other expenses in every seven years.

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Further details should be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Application close in Australia and London on October 27, 1961.

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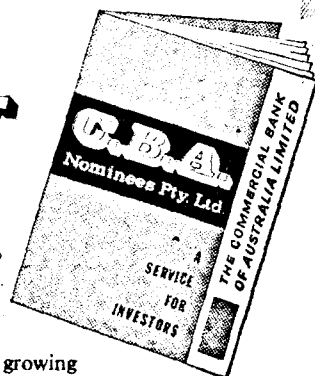
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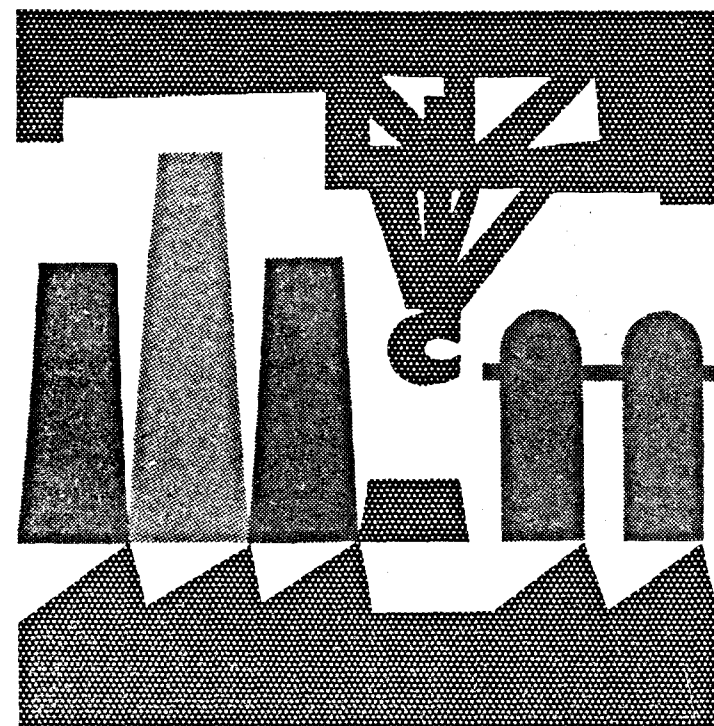
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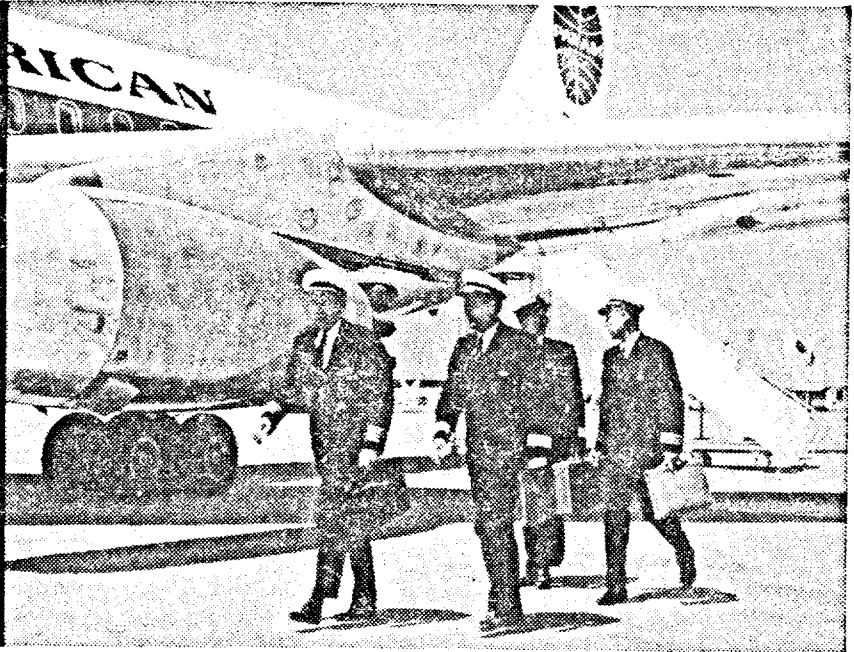
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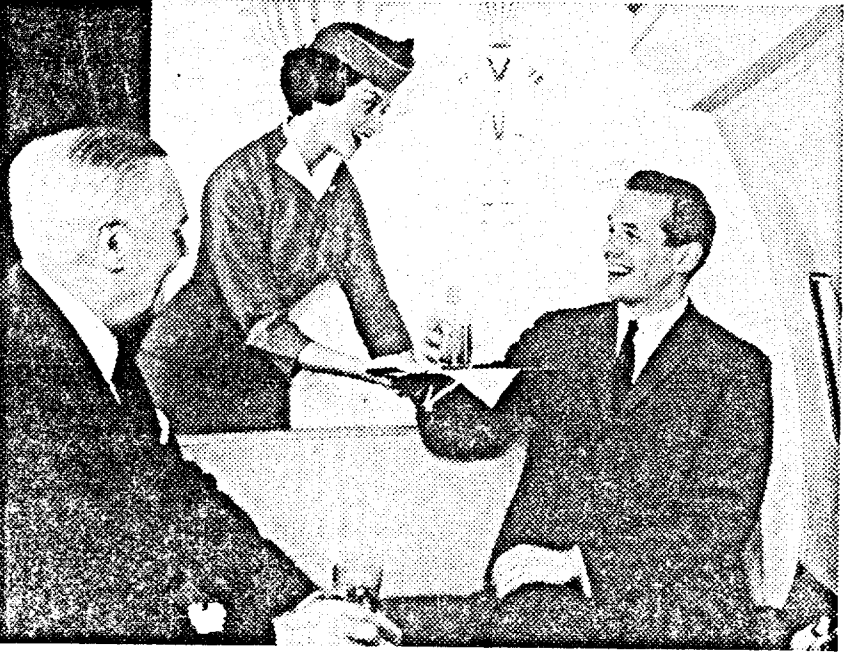
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