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THE GLOW OF THE GOLDEN SIXTIES

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In The Economist this Week October 7, 1961

HOME

NO BOUQUETS FOR MR LLOYD

No way to plan a planning committee (p. 13).

No time to cut Bank rate (p. 61).

Sowing

Seed for Mr Gaitskell: the *soi-distant* policy-making body at Blackpool has provided him with fertile soil, but he has not got the most out of it (p. 30).

Whirlwinds for the Tories: the Commonwealth, Africa, Berlin and Mr Butler's future will not blow the party away; but its reforming future is obscure (p. 15).

Pruning

To sack workers without providing for their retraining is a bad mistake today (p. 21).

Mr Powell's method of trimming drug profits has caused some manufacturers to curl at the edges (p. 66).

Prices of cars and tyres are being cut as a result of increasing competition (p. 69).

Hedging

The boundaries between urban and rural Britain need more manufacturers to curl at the edges (p. 66).

Caution by teachers faced with plans to redesign their negotiating body could lead to the death of a sensitive plant (p. 22).

Planting

A new university cannot take root until the pause is officially over (p. 29).

A new theatre-in-the-round at Croydon might spread its branches over the country (p. 31).

Withering

More funds and fewer politics are needed to revive a flagging international atomic energy agency (p. 73).

The dried-up plant of British trade unionism could be nourished by the legal reforms that are being resisted by the TUC (p. 26).

Private nursing-homes for the old need closer supervision, but not at the expense of warm humanity (p. 32).

Flourishing

The Exchequer's expenditure has grown luxuriantly, but perhaps fortuitously (p. 66).

The status of the monarchy will not be diminished—or greatly increased—by the bestowal of an earldom on a royal husband (p. 25).

INTERNATIONAL

Three Wiser Men

President Nasser has seen how difficult it is to create Arab unity by means of Egyptian colonialism; he might be in a better position to try the Commonwealth technique (p. 14).

• He intends, however, to use every means short of force to restore the authority of Cairo in Damascus (p. 51).

President Nkrumah, hurt by British criticism, seems to have gone out of his way to hurt British feelings; with Mr Sandys he now seems ready to try to make the quarrel up (p. 17).

• A pause in the common market's talks gives African leaders like Dr Nkrumah a chance to think again about the merits of associating with it (p. 22).

President Bourguiba has consistently seen Bizerta as a pivot of co-operation between France and Tunisia. Can it now become that? (p. 20).

Three Wise Men?

General de Gaulle thinks all will be well in France—provided the politicians are kept clear of politics (p. 56).

Dr Adenauer seems unshakably resolved to outstay his welcome as west Germany's Chancellor—but the politicians will not keep clear of politics (p. 51).

Signor Fanfani has been contemplating a step towards the Italian left—and the politicians are teetering (p. 52).

See How They Run

In the belief that a more conservative attitude to foreign policy is the way to win votes, the American Republican party is swinging to the right. This does not mean that Senator Goldwater will be next Republican candidate for the Presidency, or that Governor Rockefeller will not be—and least of all that Mr Nixon is out of the race after his decision to run for Governor in California (p. 41).

In **Katanga and Northern Rhodesia** the copper industry is run in this way (p. 55).

In **Washington** a fractious House of Representatives has run a difficult session for President Kennedy (p. 45); and for the District of Columbia, which it left with a deficit (p. 46).

The redistribution of seats for Congressmen to run for is producing trouble and strife (p. 49).

But at least the burghers of Washington can now vote for Presidents (p. 48).

They All Run After:

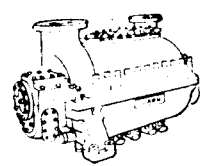
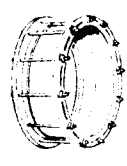
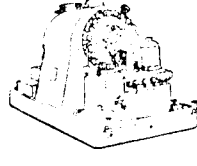
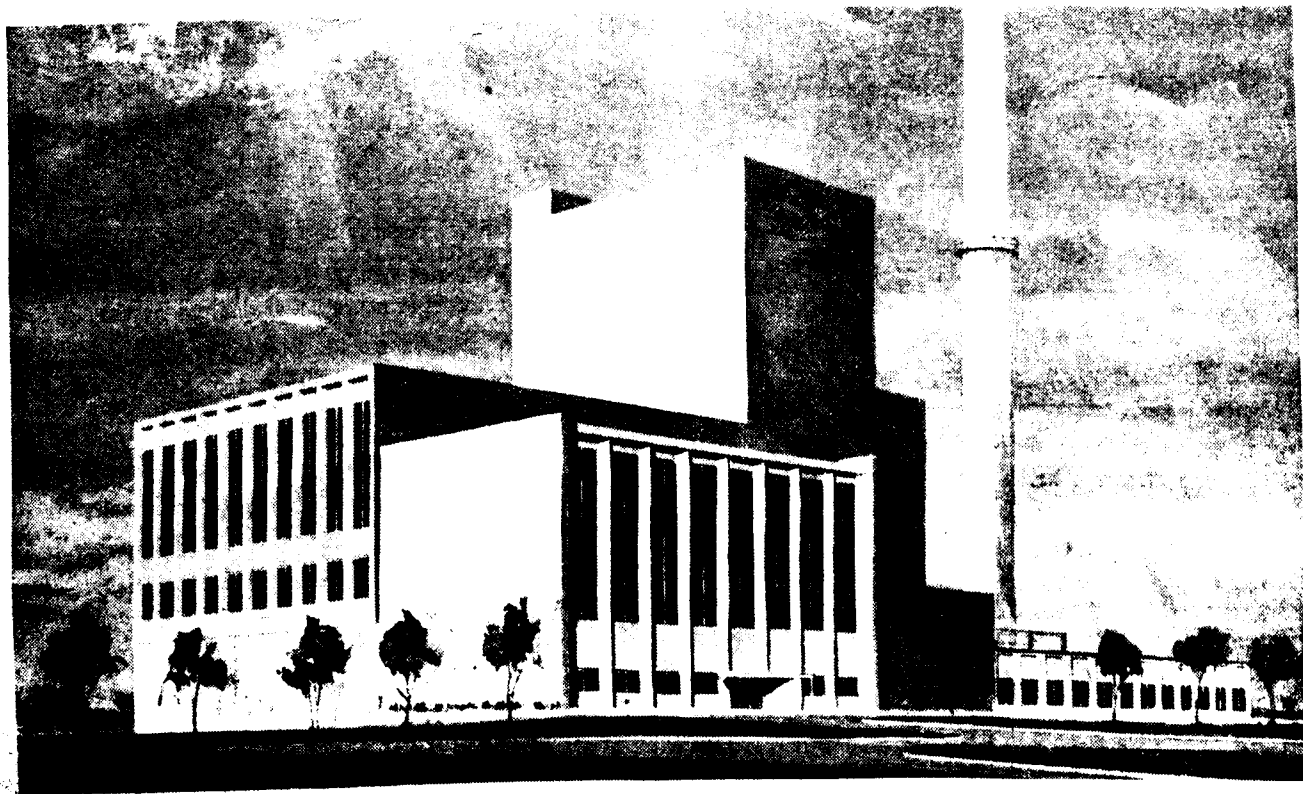
• An impression that there will be talks on Berlin (p. 21).

• A clearer view of a new kind of troika for the United Nations (p. 21).

• Membership of the European common market (p. 22).

• A new horizon: the Organisation for Economic Co-operation and Development (p. 25).

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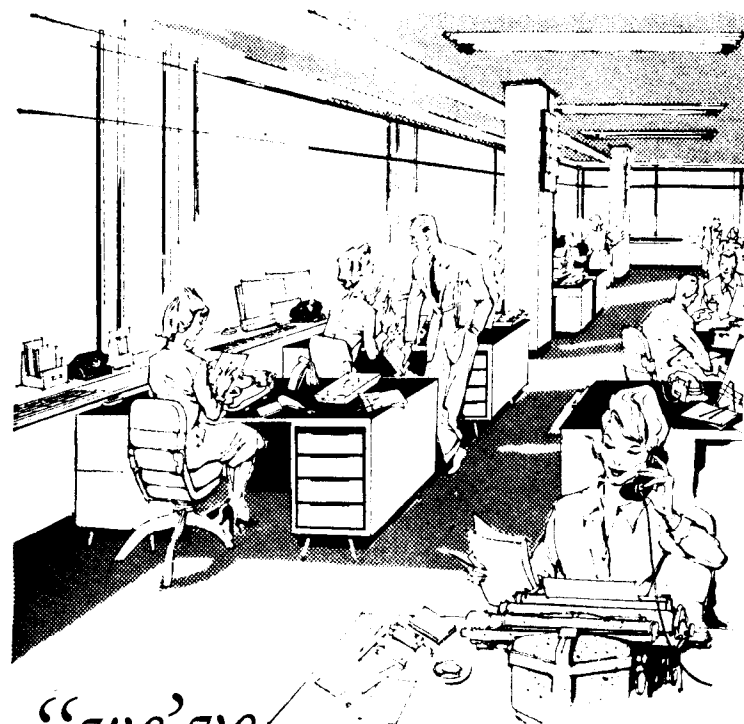
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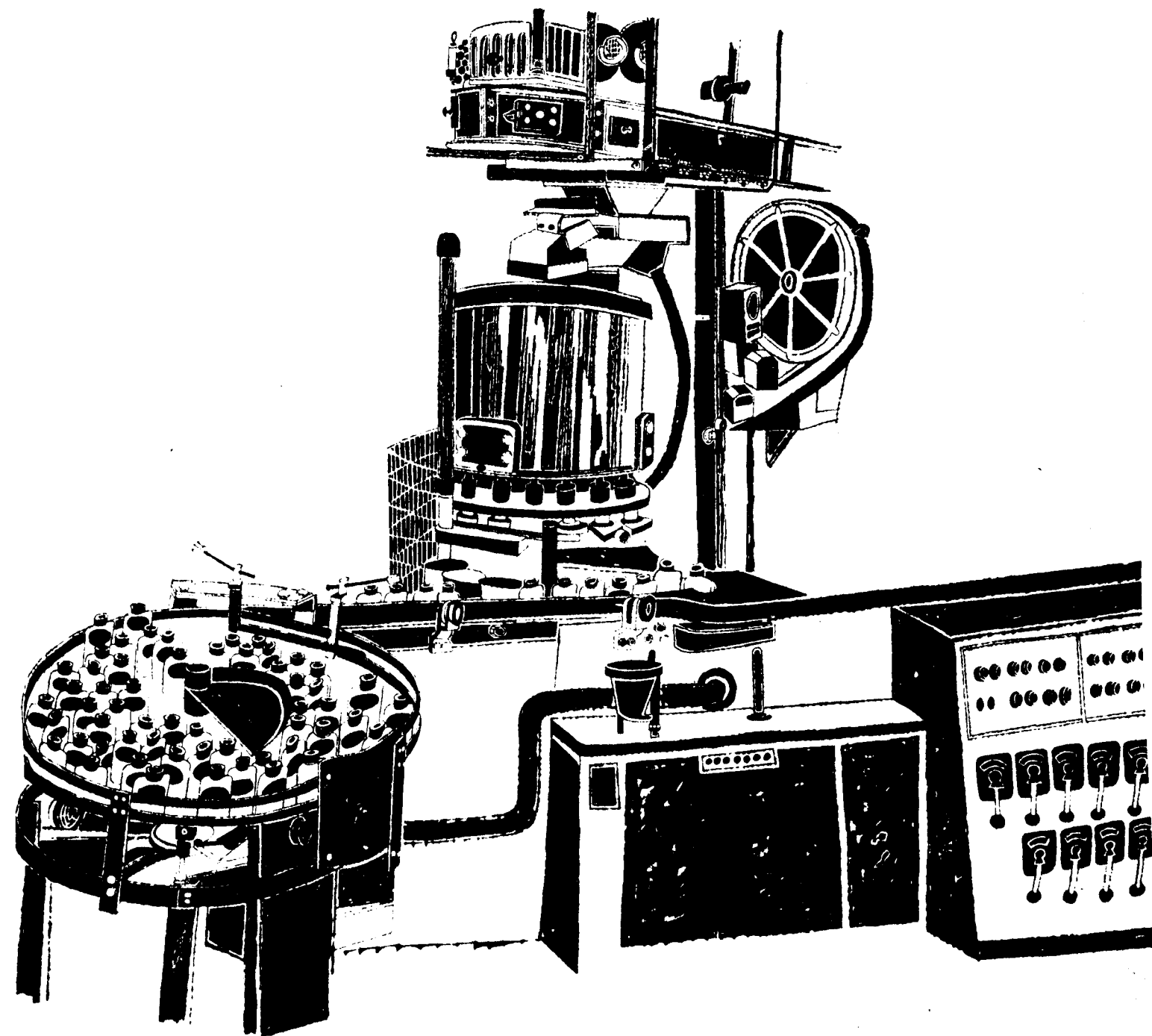
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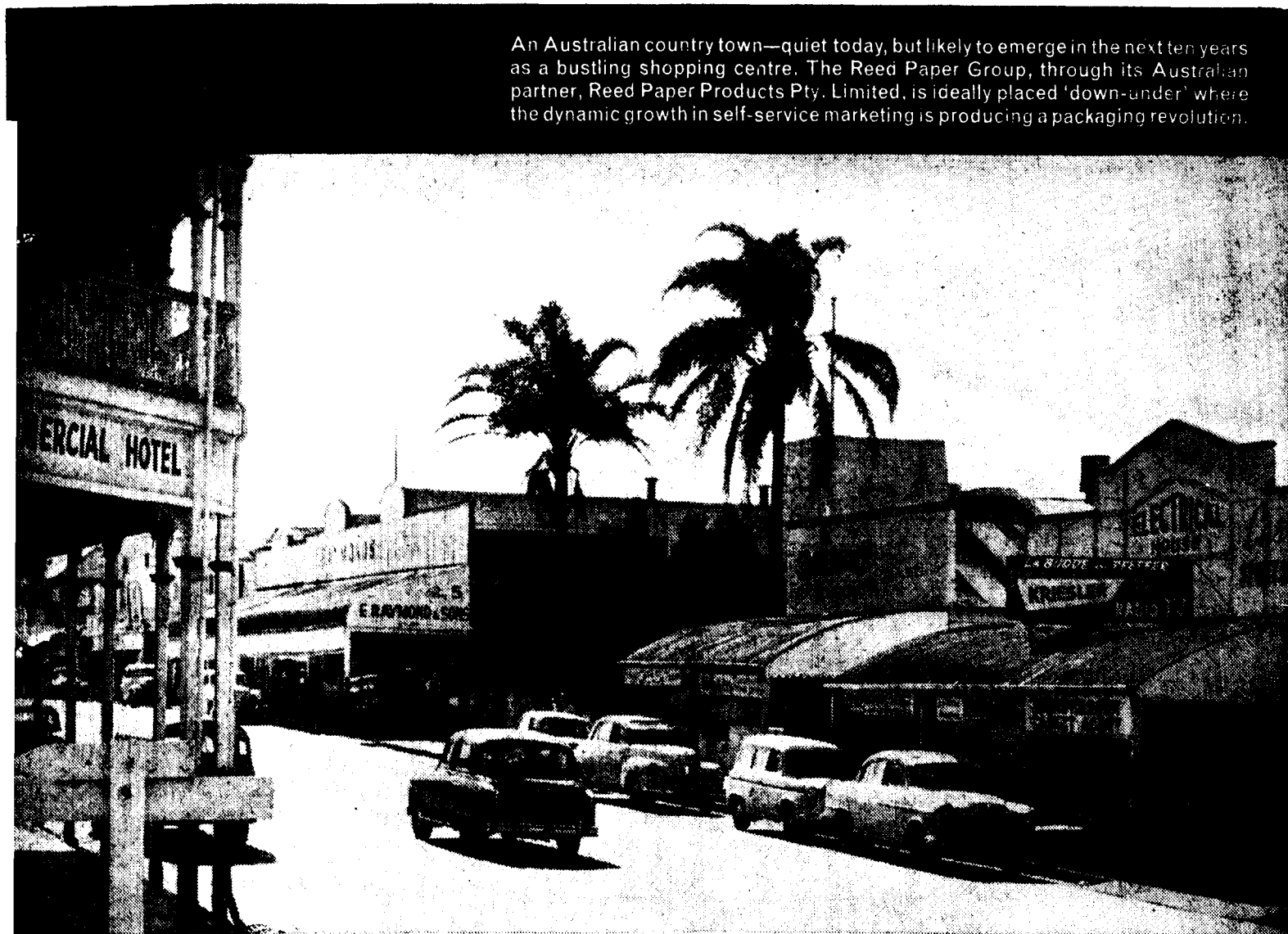
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wealth, the European Free Trade Area and the Common Market. The next few years will see new enterprises started and existing projects developed further as part of the Group's efforts to diversify its activities in this country and all over the world.

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immediately concerned. A rise in production and productivity in the coming months could lead to slightly better margins in the future, but that is not the posture of British industry at this moment.

All this gives point to the evident reluctance of investors to reverse their go-slow policies. In recent months they have not sold equities heavily, but they have not bought them eagerly either. Should they not turn instead more willingly to the gilt-edged market? This market has more friends than it had and if the authorities really believe, as some of their recent actions and words might suggest, that 7 or even 6½ per cent is a crisis rate and should be reduced to a more "normal" level (5 per cent?) as soon as it seems safe to do so, the gilt-edged market could gain many more. But there are two big snags here. First, the credit squeeze is putting as much immediate pressure on fixed interest stocks through new issues, such as that announced by the LCC this week, as it is upon equities through rights issues. Secondly, doubts whether the Chancellor's dose will cure Britain's economic troubles have even more relevance to gilt-edged stocks than they have to equities. There is at least enough uncertainty on this point to restrain private investors from leaping into the gilt-edged market. If another exchange crisis occurred, gilt-edged stocks would suffer a whirlwind.

THE lack of a copper-bottomed alternative for investible funds partly explains why another dramatic fall in equity prices seems improbable. At current levels, it is fair to say, equity values have caught up with postwar price levels; and it would not be reckless to buy equities at to-day's prices for the long term. In the 1950s the value of equities was underpinned by institutional buying. Now the character of the buying has changed with the life offices rather less eager and certainly more discriminating than they were in adding to their equity holdings. At the moment, certainly, the returns on fixed interest securities are acceptable to the insurance offices and their further commitments in equities are fully assured by the shares that come on offer in new issues. In the future, therefore, institutional buying of ordinary stocks in the market may depend more upon the further growth of pensions funds and less on orders from the life offices. Buying from such sources is unlikely to be dramatic in its effect; but it does give a foundation for the industrial market.

The course of prices over coming months will rest more than usually in the hands of private investors. Of these, not the least important are trustees with their newly-won freedom to invest in equities. But they are asking whether, given present uncertainties, they should continue to hold their hand or whether they might start to buy in the winter in the expectation of some economic recovery and an easing of the squeeze in the spring. One might venture the prognosis that if things go badly in the short run prices would continue around present levels rather than collapse; on more optimistic assumptions, prices could rise; certainly to-day's dividend yield of 5½ per cent on leading equities is more in tune with economic facts than the 4½ per cent average at the height of the boom in May. So long as he keeps his fingers crossed, an investor might think it plausible to expect a slow, hesitant and undramatic rise.

But what to buy? Since the collapse of the boom in May, it has largely been the defensive stocks—tobacco, brewery, food, insurance, investment trust and stores issues—which have lost the least ground; the cyclical shares—chemical,

DECLINING RETURNS*

	GROSS		NET	
	Previous year	Latest year	Previous year	Latest year
	%	%	%	%
Breweries	22.9	24.9	12.4	11.2
Shops	25.5	24.5	12.1	11.1
Building	20.5	20.1	9.8	9.4
Food	20.2	19.3	10.3	9.7
Paper & newspapers	17.6	15.6	7.9	7.0
Engineering	15.1	13.8	7.2	6.4
Electrical manufacturing	16.0	13.4	8.3	6.4
Iron & steel	11.4	12.4	7.4	7.1
Miscellaneous manufacturing	19.3	17.7	9.4	8.5
Other companies	20.3	19.6	10.5	9.8
All groups	19.2	18.2	9.6	8.8

* Equity earnings, before and after tax, as a percentage of net equity assets.

engineering, motor, building material, machine tool and steel—have lost the most. But it may be wondered whether the virtues of defence cannot be overdone. For examples, the yields on some of the supermarket shares look thin and make little allowance for the high cost of conversions and for increasingly savage competition in the retail trade. Yields on some of the composite insurance office shares look several valuations ahead. And yields on some of the property shares assume as fierce and as profitable rates of development in the future as in the last few years. Cyclical shares, on the other hand, are what they are and if investors turn to thoughts of an economic recovery, they will have to include them in their considerations, even though currently earned profit margins are uniformly depressing.

For the first time in a generation, the investor can no longer rely on the cult of the equity to bail out his mistakes, or allow his actions to be governed by such catch-words as "a hedge against inflation" and "growth." More than ever, whether Britain joins the common market or not, he will have to sort out those British companies which can stand a competitive pace and show the qualities of a middle-distance runner—staying power and a reserve of energy, capable of imparting a "kick" when the other runners are at full stretch. Essentially this is a quality of management, which is easier to assess than to measure. But it must mean paying attention not merely to earnings and dividends yields but also to long-ranging statistics of profit margins on sales and the returns on capital employed. When this latter yardstick is applied to a number of companies of supposedly top class, it is dismaying to discover so many cases of non-growth. Such sober appraisals may not appeal to the speculator, looking for the next popular favourites; if he has money to gamble with, he might look outside British industry—to the newer South African gold mines, say, which, if politics could be forgotten, are undervalued in terms of their economic potential. For the investor prepared to hold on, for some time, the self-evident and unexciting conclusion is to look for the equity with the better than average record in profit margins and rates of return over a fair period of time. This could be an opportune moment to start the search not for "growth" stocks but for competitive equities—though probably not yet the buying.

The Economist

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VOLUME CCI NUMBER 6163

No, Mr Lloyd

NO, Mr Lloyd. No, no, no. This is not only the first inevitable reaction to Thursday's reduction in Bank rate, which is critically discussed in the light of the present economic prospect in an article on page 61. It is also the necessary comment on Mr Lloyd's first gingerly steps towards giving economic policy—and business activity—some welcome fresh purposiveness.

The letter which the Chancellor of the Exchequer has sent round to interested organisations about his proposed National Economic Development Council suggests that he may be making some bad mistakes about how this should work. In embarking, with his characteristic combination of tentativeness and doggedness, upon this essay in the new-style planning with a French accent and without controls, Mr Lloyd has had the (not very deeply thought-out) blessing of a surprising number of people. Certainly nobody contemplating the sluggishness of the British economy, and the fits and starts of the policy-makers' attempts to provide the climate of growth without inflation, will dispute the need to work out in more precise and objective detail where this country ought to be, and could be, trying to go; and to set these expert aspirations as a proper economic challenge to all those, in the public and private sectors, who ought to be busy getting growth going instead of fitfully and frustratingly marking time. But, equally certainly, there is a right and a very wrong way of trying to do this.

The very wrong way is to suppose that Britain's economic difficulties can simply be conjured away by getting members of the industrial establishment round a table to agree on something or other, which would mean inevitably nothing very positive at all. On the contrary, the objects of new planning machinery should be (a) to try to breathe a spirit of expansionary dynamism into the British people, by publishing ambitious but realistic target figures of what some top economic technocrats think that Britain could achieve; (b) to instil the fear of death into inefficient industries and trade unions, by letting the public see clearly when their inefficiencies or obstructiveness are holding up the nation's progress; and (c) to make available to everybody a new series of top class market research and investment research surveys on a national scale. These objects cannot be achieved if, as Mr Lloyd's letter suggests, a top council of employers and trade union leaders should have the right to "consider how far, and in what form, the results of its [sic] work should be made public"; and if the staff of economic technocrats (the people who will do the work concerned behind that "sic") are to be a transient assortment of people "on temporary secondment [from their real outside jobs] for, say, two or three years." Under such a charter, this staff of revolving sputniks would be most unlikely to be able to build up any real influence in the economy; and the top council of industrialists and trade union leaders would be very liable to edit any useful bits (i.e. bits that embarrass themselves) out of their published reports.

The Chancellor's letter does seem to envisage that the director of the NEDC's staff should be a major national figure, but it would give him what looks like a horrible job. Indeed, probably the only way the director could make the job effective would be by constantly threatening to resign if the top council censors or edits his staff's studies. It is no more sensible to plan a new planning machinery on that sort of hypothesis than it is to try to make minor changes in Bank rate serve an international purpose for which they are neither adequate nor appropriate.

The Road from Damascus

What chances of advance can be seen now for the battered Arab caravan?

UNITY is a strange and versatile device on the Arab banner. Its interpretations range from friendly consultation between governments to the smashing or smudging of frontiers. President Nasser's favourite version of it during the middle 1950s revolved round a foreign policy in which Egypt inspired and led Arab opinion. Possibly, this design could have hardened into semi-permanency. But the urgency with which various factions in the Syrian army and parliament, for their own reasons, pressed the cause of closer union fired President Nasser with the obsessions of an empire-builder. The establishment of the United Arab Republic in February, 1958, gave Arab unity a new definition; but it was one that, before long, took a shape which looked suspiciously like an older form of colonialism.

Except for the precipitate and slightly embarrassing entry of the Yemen, no other Arab country was tempted into an association in which even the pretence of equal partnership was eventually abandoned. Although President Nasser still girds against acknowledging the dissolution of the UAR, the Syrian army's successful revolt, and the setting up of a caretaker civilian government, look like finally ending an experiment in Arab unity which has for some time carried within it the seeds of self-destruction.

Colonialism, as the Egyptians have not seldom said, is today a mouldering rump of old-fashioned politics; the fashion nowadays is for looser and more independent groupings. The endless academic arguments in the Arab world about who should join up with whom have been arrested by the case history of the United Arab Republic. No Arab government is now likely in the near future to plunge blindly into any new union. There are, of course, exceptional cases; given half a chance, most of the larger Arab governments would be only too delighted to gobble up a country as rich and orderly as Kuwait. But the Arab appetite for the administrative and financial problems of, say, Jordan, and now perhaps Syria, has been vastly weakened. And no independent government wants to be swallowed in the name of unity. Syria's defection confirms, rather than creates, a growing caution about the virtues of political union.

For the time being, the kaleidoscope of Arab connections has been too roughly jolted to reveal new patterns. Yet, beyond Egypt's immediate mortification, it is just possible, perhaps, to discern the foundations of a freer and sturdier association among Arab governments. What has happened is that Egypt, against its will, has shed a discontented dependency; the shedding, in its initial stage at least, was quick and mercifully bloodless; the next stage could be long, awkward and more dangerous. But even after being forced to retrace its steps, Egypt is still out in front of the other Arab nations. Egyptian influence still radiates far beyond that of any other Arab country. The UAR was a false turning; yet, from its failure, a new and more viable path could be found in the end. It might not even be too far-fetched, though Egyptians may judge the British analogy to be in bad taste, to see a wider, friendlier commonwealth growing, eventually, out of the narrower colonial relationship.

But this is crystal-gazing. Its flaw is that it has to take for granted that the apparent dissolution of the UAR has left a stable situation behind it. This could be far from true. There is the question, first of all, whether the new Syrian leaders will be able to run their country's affairs in a tolerably orderly fashion, or whether Syria, without the discipline imposed from Cairo, may not now relapse into its pre-union muddle of coups and counter-coups. The caretaker government, under Dr Kuzbari, sits in Damascus by grace of the army; a group of bankers and business men, it represents no political party.

However maladroit it may have been of President Nasser to try to force the Egyptian revolution on to a recalcitrant Syria, many of the ideas of this revolution must by now have taken root. It is not very likely that Syria, given the free elections that Dr Kuzbari has promised within four months, will accept a right-wing government committed to undoing the socialist knots that have already been tied; the caretaker government itself has promised a policy of "true socialism." Indeed, except for their condemnation of the tyranny imposed by the UAR, Dr Kuzbari and his ministers have spoken very warily. In particular, Dr Kuzbari has insisted that the Syrian revolt was a blow for Arab unity and not against it. One day, he forecasts, the name of the "Syrian Arab Republic" will be transformed into that of the "Great Arab Republic"; he has extended a hand of friendship to all Arab states—first among them, as he tactfully added, Egypt itself. But, so far, except for a delayed welcome from the communists, there has been no public response from any of Syria's former political leaders and, until they make up their mind, the army's bandwagon travels dangerously light.

BY calling off a battle before it was lost, on Thursday last week, President Nasser showed a grasp of realities which other leaders, in other wars, might have envied. But, as our correspondent writes from Cairo on page 51, he is not yet prepared to swallow political defeat—though what action he may be taking to turn the tables again is still hidden from public view. Clearly he was grossly ill-advised in persistently tightening the reins on Syria instead of playing a looser and more pragmatic hand; and clearly too, for a time at any rate, he will not be able after this setback to roam so confidently in his quest for influence in Arab, African and, more recently, world affairs. The setback may turn out to be only a brief one; the danger lies in what may happen both in Egypt and in the neighbouring countries during this frustrated pause. Abroad, this blow to his leadership could tempt him to an outburst of the sort of trouble-making at which Cairo has proved itself so formidably proficient; at home, there is always the risk that disaffected elements in the Egyptian army may choose this moment for a protest of their own.

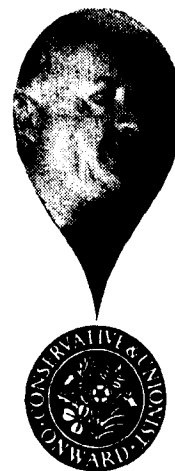
In Syria, the danger of instability; in Egypt, the dangers of frustration; and for most of the rest of the world, the awkwardness of not quite knowing what to do about it all. The haste with which the Jordanian government rushed to recognise the new Syrian regime suggests that Amman may

just possibly have known something about the coup in advance; it is also a sign of King Hussein's present confidence or, possibly, over-confidence. Certainly living conditions among Jordan's refugee population have lately improved a little; more money is coming in, and the volume of support for Nasser is believed to have fallen off. Even so, it may be wondered why the king burned his boats quite so precipitately. And what happens now in Kuwait, where UAR and Jordanian troops stand side by side in the Arab force, while Iraq, on the opposing side, has shown its sympathy with Cairo?

Israel, no less than Jordan, is disposed to welcome a turn of events that takes Egyptian agents from its northern frontier. Syria has always been the most fiercely anti-Israeli of all the Arab countries, and Dr Kuzbari's government quickly hewed to the old propaganda line. But this wordy battle is very much less oppressive to Israel than the claustrophobia of being squeezed between the two regions of the UAR.

BESIDES Jordan, the four countries which recognised the new Syria almost as soon as it appeared were Persia, Turkey, Guatemala and Formosa. The speed was too indecent not to look like a gloat over President Nasser. The precipitancy of Persia and Turkey, moreover, leaves a trail for Cairo's propaganda machine that is bound to lead directly to a charge that the Central Treaty Organisation was involved in the coup. This, and the right-wing nature of the caretaker government, spells out in two simple characters for simple minds the evidence of an imperialist western plot. In all the circumstances, there seems to be a good case, as our correspondent in Cairo says, for the United States and Britain to ponder

Tory Flashpoints



BRIGHTON

AFTER the papering-over at this week's Labour party conference (see page 30), the Conservatives will gather for their annual durbar at Brighton next Wednesday with the unusual knowledge that this time the headline-writers will be looking to them to provide dramatic party splits. If ever the old Adam of the party's local associations is to break out in protest against a Macmillan government, then logically 1961 should be the year. For this reason, it may be of major significance for the party's history if, as now seems most likely, the long-forecast ructions do not occur.

There are at least four sets of circumstances that ordinarily ought to make this year's Tory conference a hornets' nest. First, Mr Heath will be coming to the Palladium straight from his preliminary negotiations in Paris on the common

recognition of the new regime in Syria a little longer. But, if the regime lasts, no remaining respect for President Nasser's susceptibilities, or for the power of Cairo's inventiveness, can delay the recognition indefinitely. If the western powers could agree to make their decision simultaneously, the injury to individual interests might be the less. If recognition is spotty, President Nasser may well respond by cutting off diplomatic relations, but he would have to think twice before depriving himself of all his western contacts.

The time has gone in the Middle East when a western embarrassment was automatically a Russian gain. Once, the Soviet Union could coast along into Arab favour simply by identifying itself with nationalist aims and waiting for western blunders. Now, more deeply involved and no longer so popular, Moscow, like the West, is faced with the kind of uncomfortable choice that cannot be dodged. President Nasser's relations with the Soviet Union are precariously uneven, but Moscow is unlikely to risk its considerable stake in Egypt just for the hope of encouraging the local communist party in Syria. So far, Moscow radio has reported the Syrian coup without comment. The time to watch will be when the question of Syria's membership of the United Nations comes up at the Security Council, and President Nasser waits hopefully for the Soviet veto.

Certainly, it is hard to see through this fog of immediate rivalries to the clearer sky of an Arab commonwealth. But, ultimately, the ending of a too-tight relationship between Egypt and Syria may do the cause of Arab unity no harm. The links of culture, history, language and common interest still remain, even if in the gusts of plot and counter-plot the flag of Arab unity is now fluttering tattered and forlorn.

A discussion of the prospects

before the Conservative party

conference next week

market. From a thousand platforms, Conservative ministers have proclaimed that "if ever we had to choose between Europe and the Commonwealth, we would without hesitation choose the Commonwealth" (loud applause); yet everybody knows that these words, which somewhat unpatriotically imply that British cabinet ministers would not pay primary attention to Britain's own national interests, have now got to be at least partially eaten. At Brighton, Tory MPs will be coming down to meet their ministers in mass for the first time since the Commonwealth's raucous protests rang out at the Accra conference, and they will have their (generally rather right wing) constituency chairmen at their elbows. Traditionally, this should be an occasion for Tory eruptions; one might expect that an anti-European amendment would be tabled against the rather anodyne common market motion on the conference's agenda—although if it were it would be unlikely to receive a really heavy vote in its favour. It seems more likely that the conference's main contribution to solidarity with the overseas Commonwealth will be to cheer Mr Butler when he announces that he is going to curb unrestricted immigration from it.

The second potential flashpoint—again, according to tradition—should logically be Conservative policy in Africa: and three weeks ago it did look as if this topic, too, was going to heat up most awkwardly. If Parliament had been sitting when the United Nations fell into hostilities in Katanga, a block of Conservative MPs much wider than Lord Salisbury's supporters would have exploded in wrath against them; it is a great piece of good fortune for the country that Parliament was then in recess. Now, however, just as Tory MPs and party workers were preparing to castigate the mere dispatch of Lord Lansdowne to the Congo as a quite insufficient gesture of dissociation from Dr O'Brien, it has suddenly been borne in upon them that half the uncommitted world seems to regard that mission as proof positive that British reactionaries brought about the murder of Mr Hammarskjöld. This breathtaking libel fortunately seems to have had a stunning rather than a goading effect on the party; it has left many Tories gasping with incredulity and bewilderment that anybody outside a madhouse could really still think such things of Britain. The result may conceivably be to make more and more of them willing to wash their hands of the problems of a part of the world which at the moment they no longer even wish to understand. The main point made in Brighton's colonial debate may merely be that, if European settlers are to lose their place in the African sun, those of British descent should be offered some financial compensation underwritten by London—as indeed they should.

THE third potential flashpoint in Conservative politics is one that has so far refused even to glimmer. For this reason most people have not realised yet that it could soon appear. It seems to be quite possible that the present Berlin crisis will end (temporarily) with what some people will call a Munich-like settlement. This does not mean that anybody need suppose that the West will do anything so disgraceful as sacrifice the liberty of free west Berliners; the purpose of the exercise will be to preserve precisely that liberty, with the fact of western nuclear force serving to deter the use of eastern force against it. But any settlement now over Berlin will involve something that appears to be a loss of face to the West, although mitigated by some communist guarantee.

After an initial period of general relief, more people may begin to query whether the guarantee is worth the paper that it is written on; and the year after a Berlin agreement, like the year after the Munich agreement, may very well become a period of increased tension and military preparedness, possibly including conscription. A Berlin agreement now may avoid the risk of a hot war; it will certainly not end the cold war. It is therefore a bit surprising that the Tories' self-styled equivalent of a Winston Churchill of the 1930s (crying, not "we arm to parley," but "appeasement") has not yet materialised; and it will be interesting to see if one does begin to emerge at Brighton. Every other major western country has at least some wing of some party that prides itself on advocating a "tough line" rather than on looking like a competitive peacemaker.

The fourth potential hornets' nest at Brighton is contained in the very awkward set of circumstances buzzing around the head of poor Mr Butler, on whose immediate ministerial future the shape of any government and party

changes this autumn is likely to depend. Individually, Mr Butler seems to be the best available man for each of his present jobs. History will probably say that he has been the greatest reforming Home Secretary of the last fifty years: he is still the Conservatives' widest-ranging thinker on future social policy, and would normally seem to be ideally suited to the post of party chairman; and he is more acceptable to the Opposition than any other minister as leader of the House of Commons. But the fact remains that he has come under criticism from his party in the first two of these posts, and it is increasingly legitimate to doubt whether he is wise to treble up all three onerous jobs at once.

The party row that has blown up against Mr Butler as Home Secretary will find expression at Brighton in the psychopathic motion (demanding birching and more hanging) that the conference will probably disgrace itself by passing next Thursday afternoon. So long as ministers make it clear that conference decisions do not determine Conservative policy, this display of raw emotions need not harm the country (as distinct from harming the party); but it will be understandable if the debate increases Mr Butler's inclination to believe that the time for him to leave the Home Office is nigh. In any case his socially reforming task there is largely over; it would be better if some other ministry—say, a Ministry for Redefining Social Security, if Britain had one—took over from the Home Office as the next progenitor of Tory reforming legislation.

But the trouble is that the groundwork for the next period of Tory legislative reform does not seem to have been laid. At one time it was supposed that laying this groundwork would be Mr Butler's function in the party chairmanship. Unfortunately there is a growing impression that he has not really had time to do it, and also an increasingly loud expression of Tory views that he has not had time enough for some of the party chairman's other duties as well. So the clamour has grown for a full-time party chairman, in Lord Woolton's or Lord Hailsham's image—or at least in some approximation to it, such as the hearty Dr Charles Hill. And, electorally, there is a case for saying that the Tory party does now need a full-time backslapper-in-chief.

YET if Mr Butler should leave the chairmanship this autumn—and especially if he also left the Home Office to become only leader of the House—two problems would be created. The first, and minor, problem would concern the future of his own career; the second, and major, problem would concern the future of the Tory party without a central thinking-machine built into it. The problem of how any government can formulate future domestic policy, outside those matters in the immediate province of the Chancellor of the Exchequer, has never been solved in Britain since the war. The idea of a co-ordinating-ministry-à-la-Herbert-Morrison failed, because Mr Morrison's power waned when he did not have a large and traditionally powerful department of state (i.e. of established civil servants) behind him. The idea of vesting the reforming power in the Home Secretaryship is not going to work once Home Office reforms are no longer the most urgent ones; and it now looks as if the idea of making the ideas-man the party chairman is not going to work either.

But how, then, is the job of planning legislative reform going to be done? One's fear is that the Government might now be

going to move into a period when it is not done at all. There is already some sign that the Tories' legislative programme for the next session may be a peculiarly unexciting and undynamic one. The Conservative conference of 1961 may yet be remembered as the occasion when the party contained its more catavastic emotions rather better than the pessimists had fore-

Got Up by the Press?

Britain and Ghana have a lot to learn about one another

WHATEVER may have accounted for the sad fate of the United Nations Secretary-General, Mr Hammarskjöld, the British Government cannot easily wash itself of the charge of complicity in the crime committed. The words are not Ghanaian; they are taken from *The Service*, a level-headed Nigerian opposition weekly. The supposedly pro-western Nigerians, it seems, have been as suspicious of Britain as anyone else in recent weeks. But the Nigerian language of suspicion has been neither loud enough nor rude enough to bring the wrath of the British press, the frank talk of Mr Duncan Sandys, and the enquiring mind of Mr Mennen Williams down upon the head of the government in Lagos.

Between London and Accra, by contrast, there has been no lack of loudness and rudeness. Dr Nkrumah seems to have gone out of his way to upset Britain. Anti-colonialist diatribes, boring though they become after a while, still give offence if they are repeated in Budapest and are not about the Russians. Every newly-independent Commonwealth country can be expected to dismiss its British officers and administrators sooner or later, but there is a polite way of doing this. Plainly Ghana is in bad mood and, not least through its newspapers, has shown it. Britain has, perhaps, been guilty of bad temper as well. Too much outraged majesty may have been expressed at General Alexander's dismissal; too much outraged surprise at accusations that Britain has been backing the wrong side in Angola, Bizerta, and Katanga. But if Ghana expects Britain to understand African aspirations, and treat with sympathy the continent's expressions of distaste for foreign control, then Britain, for its part, can justifiably expect Ghana to try to understand Britain's friendship with France, Portugal and Belgium, even though this friendship may sometimes lead Britain astray.

In the statement signed by Dr Nkrumah and Mr Sandys in Accra on Wednesday, Mr Sandys assured Dr Nkrumah that Britain wants to "promote the inclusion of Katanga in the Congo"; both agreed that there have been "differences about methods." Dr Nkrumah "appreciated" Britain's postwar decolonisation and urged people in the remaining colonies to fight their battles constitutionally. (This will interest Northern Rhodesia.) He pressed Mr Sandys—unsuccessfully—for a target date for the independence of all colonies. Here, perhaps, there is room for an end to bad tempers.

told (except on such subjects as hanging); but when it also gave up thinking, except in such things as the "planning machinery" adumbrated by the Chancellor and on some of the problems created by the great bid to enter into the common market. And on planning (see page 13), the first signs are that the quality of thinking may not be good at all.



A SHOWDOWN

MR. DUNCAN SANDYS, the Commonwealth Relations Minister, flies to Ghana for a showdown with Nkrumah.

It is said that Mr. Sandys will ask the dictator when Ghana is to become "friendly towards Britain."

The answer to that is known already. It is: "Never."

Since Ghana was granted independence in 1957 she has not ceased to exploit Britain. She must not be given another penny.

And because her wicked and corrupt dictatorship has brought nothing but discredit on the Empire, she must be told to go.

Bad temper alone, however, cannot explain putting people in gaol for up to five years without trial. Dr Nkrumah has done this to members of his opposition; and he did his best on Wednesday morning to alienate British liberals once and for all by arresting Mr Joe Appiah, the son-in-law of the late Sir Stafford Cripps. Detention without trial is indefensible in any country not in a state of war or bloody revolution; even in Nyasaland Britain declared a state of emergency before rounding up Dr Banda and his colleagues. If Mr Appiah or any of the 49 other political prisoners taken on Wednesday are guilty of the plotting the government has charged them with, then they should promptly be shown, in court, to be guilty. Even in South Africa, 156 people charged with treason were brought before the courts and—after an extraordinarily harsh four-year trial—acquitted.

But, it can be replied, the Nigerian government has not been gentle in putting down the Tiv tribesmen; opposition does not exist in President Ayub Khan's Pakistan. Why is Dr Nkrumah singled out for criticism by the British press? The answer is that he has long proclaimed himself, and his country, to be the standard, the exemplar, by which the emerging black peoples of the world will be judged. This is Dr Nkrumah's—and perhaps all black people's—misfortune. Since independence Ghana has been transformed into a machine for the promotion of a socialist pan-Africa; the country, as its present crisis shows, is suffering from the strain of looking too ambitiously outwards for too long.

Ghana's foreign policy must not be misunderstood. It is not anti-Commonwealth; it is not anti-British; it is not intended to turn Africa communist. It is chiefly designed to produce a free, unified and (some Ghanaians hope) socialist Africa. On Wednesday Dr Nkrumah repeated that non-alignment means leaning toward neither East nor West; Mr Sandys said the British Government understands and respects Ghana's definition. To his credit, Dr Nkrumah has staunchly stood by the United Nations, even when his allies (including President Nasser) were withdrawing their troops from the UN force in the Congo. But, so far, his foreign policy, costly to Ghana,

has not been successful; Africa remains deeply divided on his definition of pan-Africanism.

Because of this policy, Ghana's economy has been severely strained. Money has been lavished on dignity and "prestige" projects: on too many aeroplanes, for instance; on a shipping line; on a loan of £10 million to Guinea. The inevitable result has been an austerity budget designed to balance the books and at the same time to pay Ghana's share of the bill for the gigantic Volta River development scheme. The Volta scheme might transform Ghana into the modern black African country Dr Nkrumah desires; but trying to pay for pan-Africa and prestige out of the same pint-pot has led to strikes and to so much political unrest that the United States may feel compelled to think again about aiding the project. To dismiss cabinet ministers who live too well, as Dr Nkrumah announced he was doing a week ago, may be justified in an eager pioneering state; but, especially now, it is too easily seen abroad as just a device to strengthen the president's personal position.



City versus County

In adjusting boundaries between city councils and county councils, the Local Government Commission should give cities room to grow—and it should not be scared of changing the boundaries of some green belts

THE system of local government in England reflects a kind of balance between the often divergent interests of counties and big towns. The present Local Government Commission, which is slowly redrawing the administrative map of England, is not authorised to change this system; but it does have considerable discretion to adapt it to modern requirements. This task offers a major challenge to it. The health of local government now turns upon two points: its ability to provide good services of modern standard (which can be injured if the unit of administration is too small) and its success in securing the participation of local citizens (which can be injured by the loosening of community ties when the areas administered grow too large and diverse, and by disillusion when those councils that are looked upon as really "local" are given insufficient powers).

The dichotomy between county councils and town councils is both the strength and the weakness of the whole system. It is another of those curious English muddles that have somehow worked quite well. French logic has subordinated the local *commune* (however large) to prefectorial control exercised through the wider *département*. American pragmatism has allowed the growth of cities and municipalities to reduce the counties to ineffectiveness. But in Britain county and "county borough" (i.e. big town) councils remain equally important, and each possesses a distinctive outlook. Few counties are really very rural today, yet a sort of gentlemanly rural atmosphere still pervades their activities. The counties' problem is to provide their relatively dispersed population with good services. The county boroughs' problems are to cope with urban traffic congestion, overcrowded housing, and the steady exodus to ex-urbia of their richer citizens who once provided civic leadership and philan-

The strain is not only on Ghana's economy; it is also, inevitably, on Ghana's western friendships. But this is no moment for Britain or the United States, however provoked, to turn away. It is above all the moment for them to recognise and understand what is the real drive behind Dr Nkrumah: Ghana's passionate desire for tangible independence. If this is expressed in good relations with the East as well as the West, that is Ghana's business. As the *New York Times* pointed out this week, Ghana is not in the communist camp. It is, however, in the throes of a social and economic crisis that may well turn it into a more authoritarian and socialist state than it is now. Withdrawing assistance from the Volta scheme, without the most compulsive reasons, could do only harm. Ghana, as a growing-up country, has to expect criticism from foreigners when it seems to err, and learn not to swear too coarsely when the foreigners do wrong. It is no longer an underdog, safe from criticism by good liberals. But that is no reason for making it, deliberately, into the enemy that it is not.

thropy. Counties are engrossed in rural preservation, while cities want more space. County councils are usually Conservative, while city councils are still often Labour.

There are two aspects to the promotion of a healthier balance between cities and counties as population pressures change. First, it has to be decided which individual authorities should be changed in status or amalgamated. The commission's early decisions on this point have sprung few surprises. It is required to consider sympathetically the claim of any town of over 100,000 population for county borough status and it is also entitled to scrutinise the efficiency of county boroughs and counties below that figure. The commission has so far stuck to this population standard very closely. Among towns Burton-on-Trent (49,000) and Worcester (64,000) are slated for demotion; Luton (which already has over 100,000) and Solihull (which soon will have) for promotion. Among counties, the commission proposes to join Rutland (25,000) with Leicestershire; the Soke of Peterborough (70,000) with Huntingdonshire (82,000); and the Isle of Ely (89,000) with Cambridgeshire.

NATURALLY, not all local authorities are pleased by this; and the smallest, Rutland, has made the greatest fuss. Rutland's contention is that a council which enjoys genuine local support and participation is being sacrificed to a mechanical conception of administrative efficiency. In fact the commission's criteria are not mechanical. Its report argues that a small authority like Rutland cannot provide some specialised services at all, and others only at high cost. Rutland is the size of a rural district, and if close local participation were to be accepted as the dominant consideration, the logic

would point to the dissolution of county government everywhere else into Rutland-type units; but what guarantees could then be offered for efficiency?

Not for the first time, Cambridge has also provided the commission with a particularly tough problem. As a thriving regional centre of about 100,000 people, Cambridge has an excellent claim to become a county borough; but in the commission's view this course would only make sense if the county of Cambridgeshire (which would then lose control over Cambridge) were simultaneously amalgamated with three other administrative counties in order to make a new council of viable size. Originally, the commissioners were ready to embrace this solution, but subsequent discussions revealed strong opposition to the proposed county, and impressed the commission with the social and even spiritual links said to exist between Cambridge and Cambridgeshire. It therefore decided to reject Cambridge's application. But is there not a similar affinity between Oxford and Oxfordshire, Leicester and Leicestershire, and so on? The commission's cautious decision may be wise, but it sidesteps some awkward questions about the system that it was set up to investigate.

THE second main issue before the commission is that of boundary extensions. Here, many cities can legitimately claim that population has for a long time been spreading beyond their boundaries in pursuit of a suburban or ex-urban life, while the boundaries themselves have remained relatively rigid. This middle-class exodus is surely a principal reason for the decline of many large towns in Britain in civic energy, cultural activities, and political influence. Admittedly the needs of county government must also be considered; but, as the commission points out, the proportion of the population of England living in administrative counties has increased from 52.7 to 62.4 per cent since 1920, which gives a measure of the urban exodus. Moreover the wealth of this growing volume of ex-urbanites has become much less essential to the counties' budgets, because of Government equalisation grants; anyway, it is the larger counties which have illogically and unnecessarily gained most from the exodus.

For some towns, such as Northampton and Leicester, the commission has already proposed moderate boundary extensions to take in immediately adjacent suburbs. But ought not a city also to have some scope for further growth? The difficulty here is that an increasing number of cities are being circumscribed by green belts, and the commission has apparently decided, as a matter of policy, that any area labelled green belt ought not to be incorporated.

This policy decision seems to be a very muddled one. The green belt is really an amalgam of two ideas. One idea is to preserve attractive areas of countryside in the vicinity of cities for recreational uses and general enjoyment. This is admirable. The other (and now dominant) idea is to restrict or prevent the city's outward growth. This is admirable too in the case of the largest conurbations, so long as it forms part of a wider plan for developing new and expanded towns beyond the green belt. But it cannot make sense to draw a restrictive girdle around all the principal towns of Britain, in blind resistance to all the pressure making for urban growth. This pressure arises not only from natural increases of population, but also from the exodus from congested areas and the

increased land requirements of factories, schools, public recreation, and so on. As a city gets richer, it needs more space even if its total population is somehow "stabilised."

Unfortunately, the green belt idea is now being pettily and unimaginatively applied, partly because of self-interested pressure from county councils. The counties have grasped the point that a green girdle (even a very narrow one) drawn closely around a city is the easiest way of trumping that city's application for a boundary extension into the county council's domain. But the social result is that all new development is then shifted a few miles farther out into a growing number of little urban pockets, instead of being added to the city itself. This causes longer journeys for commuters, dispersed development, and obviously prejudices civic vitality.

It is time that a more realistic view was taken of future urban growth, and that broader measures were used to guide it. The wise course would be to give most cities sufficient elbow-room for the next ten years, and to incorporate the most suitable areas for this purpose within their boundaries. Green belts should certainly not be abandoned, but they should be designed so as to preserve much deeper belts of countryside in certain directions, and particularly where they can effectively separate two urban areas. For those conurbations that have become unduly large, green belts should continue to perform a more restrictive function, but they should be deepened in places and supported more effectively than at present by projects for new towns and town development schemes.

THESE ideas may go rather beyond the purview of the Local Government Commission, but the commission ought surely to take a broad view of its responsibilities in adjusting the interests of cities and counties, especially as the alternative—a different kind of local government system—has been ruled out indefinitely. The present system can undoubtedly be made to work better, and the commission has many more areas to investigate. If fair treatment for the cities requires more amalgamations of counties, the commission should be prepared to take this course, just as it has been ready to recommend the demotion of certain county boroughs. If the commissioners need a mandate to broaden their investigations, Mr Brooke—who is responsible for town planning as well as local government—is in a position to give it. He should do so now.

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OUT ON MONDAY

The True Bizerta

Can Mr Bourguiba's base become what it was originally meant to be—a link between France and Tunisia?

THE Tunisians have a taste for peace and peacemaking. They see themselves as the Swedes or Swiss of Africa, and in that character offer themselves to the world. Lately they have given Mr Mongi Slim to be president—the first from Africa—of the United Nations General Assembly, and Mr Mahmoud Khari to speak for the United Nations in the talks with Mr Tshombe that produced a Katanga cease-fire. Though they boast but a small army, they were among the first countries to contribute to the UN force in the Congo, and to promise a contribution to the Arab League force in Kuwait. Then why, ask their critics, could they not in July this year have kept their own peace at Bizerta? Peacefulness, like charity, surely begins at home.

Only a glance down the years of Tunisia's independence can uncover an answer to this question—and with it the true Bizerta. This was the base that President Bourguiba intended as his small country's chief contribution to the defence of the West. It wore the bright face of an offering designed to win French goodwill, though one that became somewhat crestfallen, as gift horses looked in the mouth are apt to become.

When Tunisia gained its independence in 1956, present political fashions had not yet set. Imperialism was "out," but positively neutral neutralism was not quite "in." Tunisia could still choose freedom within the western orbit and, anticipating France's true interests, asked that Bizerta might join the Nato system of bases, just as France's Algerian bases had automatically done. But the Nato powers merely shrugged, and France would not hear of the idea. So, rejected as a contributor to Nato, President Bourguiba proposed another club: a western Mediterranean defence pact in which France might still be the caretaker of Bizerta but Tunisia would be a full member. But again the French frowned; for those were the days of faltering governments in Paris which dared not even admit that Bizerta was part of Tunisia. The two countries begged to differ, Tunisia claiming sovereignty over Bizerta, but not pressing the issue for fear of embarrassing France while it was involved in the Algerian war.

As the conflict in Algeria deepened, President Bourguiba's natural bent as a go-between brought Algerian nationalist leaders to Tunis, and weary Algerian soldiers to rest in Tunisia. The French took umbrage and bombed Sakiet. A month later (March, 1958), under pressure of world opinion, negotiations began for all French troops outside Bizerta to leave by the following October and for the working out, thereafter, of a temporary statute for Bizerta. This was to permit the French to remain in the base at Bizerta until such time—the end of the war in Algeria—as more definite arrangements could be made.

When General de Gaulle came to power the will to negotiate was confirmed in an exchange of letters (June, 1958), in which it was also conceded that French troops had no right in Bizerta, except by Tunisian consent. Thus Tunisia's sovereign rights

were established. But negotiations, limping on, could never be brought to a finish, since both sides were always deliberately playing for time. The new winds of positive neutralism had so ruffled the Tunisians themselves that Mr Bourguiba could not grant a temporary "statute" unless it carried the proviso that the French, in the end, would go. But General de Gaulle was bent on ending the war in Algeria by methods that his army found difficult to accept. To promise—without visible need—to evacuate Bizerta was altogether too much for him, since it might have proved altogether too much for the patience of French generals.

France's predicament was well understood in Tunisia. Mr Bourguiba played the waiting game skilfully, uttering intermittent growls and setting carefully loopholed time-limits to his patience. And so, through endless relays of patience, he arrived at Rambouillet this February, to confront General de Gaulle with his vision of Franco-Maghrebi friendship and to pave the way for Franco-Algerian peace talks. Only when the latter broke down did the backwash of defeat envelop him. And then Mr Bourguiba could no longer swim against the tide. Nearly all his fellow Arabs condemned him for his moderate pro-western tendencies. So did much of black Africa. He therefore, on July 3rd, permitted demonstrations in Tunisia for Bizerta's evacuation.

These were largely for home enjoyment, and to notify the other Arab countries that Bizerta would play no part in any partition of Algeria. Even General de Gaulle allowed (in a note of July 16th) that such demonstrations were not aimed at French life and property. They were nevertheless made the occasion for a new French military build-up at Bizerta. On July 6th work began on lengthening the airstrip to take larger troop-carrying aircraft. The Tunisians saw red, and President Bourguiba sent a note to General de Gaulle, a request for negotiations, that was really a cry in *extremis*. Unhappily the general failed to recognise that this was a desperate appeal and no longer a charade for his benefit. And out of this lack of understanding the battle of Bizerta broke.

CAN Bizerta return to the role that President Bourguiba has consistently envisaged for it—a pivot of co-operation between the Maghreb and France? The accommodating attitude on both sides which has led to the withdrawal of French troops this week to the positions they held before July's fighting offers a gleam of hope. The time for a reappraisal has come about. The Tunisians, having made their point that Bizerta must not be connected with any partitioning of Algeria, are unlikely to take any further step that could jeopardise the cause of peace there. Mr Bourguiba's admission that the French need to stay in Bizerta so long as the Berlin crisis lasts is open to *ad hoc* constructions. But at least it offers a stepping stone to provisional measures—the temporary statute in fact—that could merge with plans for the subsequent demilitarisation of the base. Its use as a civil port and dockyard has long been contemplated in Tunisia. The prospect of developing it thus, in partnership with France, could turn it back to its old true course again.

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BERLIN

The Impressionists

LIKE certain paintings, the past fortnight's conversations between Mr Gromyko and his American and British colleagues seem to acquire meaning only if looked at from a certain distance, through narrowed eyes. Officials in Washington and London who claim to know what went on say that Mr Gromyko revealed no change in the known Russian position on Berlin. Yet the total effect is of a general agreement, if not actually to hold negotiations at a specified time, at least that negotiations will probably take place; this conclusion is being tested by President Kennedy in a talk to Mr Gromyko on Friday. It all appears to have been done by impressions. Seemingly, Mr Gromyko has left Mr Rusk and Lord Home with the impression that the Russians are willing to discuss ways of guaranteeing Berlin's freedom, which is the essential western condition for negotiations; and that either the signing of a Russian-east German peace treaty might be delayed until these guarantees have been discussed, or a blank space might be left in the treaty in which the guarantees, if agreed upon, could subsequently be embodied. Mr Rusk and Lord Home, for their part, seem to have left Mr Gromyko with the impression that the West might be willing to let negotiations cover such subjects as a degree of recognition for the east German state, and limits on the spreading of nuclear arms in central Europe.

If it is true, as officials assert, that neither Mr Gromyko nor his western counterparts actually said these things in so many words, one can only comment that much may be conveyed by a smile and a nod. Mr Gromyko's next move is to transmit the

smile and nod to Mr Khrushchev; the hope being that Mr Khrushchev, in turn, will pass them on to his party congress on October 17th, rather than using the congress to announce that he is going to sign his separate peace treaty with the east Germans and damn the consequences. But the really vital next step is for the United States and Britain to persuade west Germany and France to accept what has been done so far.

The main problem is to find a formula on east Germany that will, at one and the same time, convince the Russians that the allies recognise the existence of Herr Ulbricht's government, as a hard if distasteful fact, while convincing the west Germans that this degree of recognition does not entail the permanent division of their country. Herr von Eckardt, Dr Adenauer's spokesman, said on Wednesday that there had been no change in the essential western position on the question of Germany; but he defined the essential western position as the pursuit of reunification, not as a refusal to acknowledge the east German government in the meantime. One element in the necessary compromise might be a western agreement to deal with the east Germans on questions involving access to Berlin, provided the Russians have first signed a watertight agreement safeguarding Berlin's future; another might be an extension of contacts between the two German governments. In delineating the exact degree of recognition that might be given to Herr Ulbricht, the allies must not make do with broad, vague brushwork; as in *pointillisme*, only a subtle and precise laying on of details will do the job.

UNITED NATIONS

Troika from Birnam Wood

MR KHRUSHCHEV'S original "troika" was a dashing equipage, which he launched at full tilt towards the avowed goal of destroying all possibility of UN executive action that conflicted with his wishes. Never again, he declared, could the UN trust a single Secretary-General. Whatever action the Assembly might authorise must be entrusted to a "collective executive," whose Soviet member would wield a veto.

To his evident surprise, this troika proved to be hurtling along a collision course. It collided with the stubborn insistence of many uncommitted countries that the UN should not be weakened, and that (in Marshal Tito's words) any reform of its structure must "not be done in a

way that would amount to freezing present divisions in the world." Although in the confused days immediately after Mr Hammarskjöld's death the 1960-model troika was wheeled out by Mr Gromyko for one or two brisk circuits of the paddock, it was then prudently pushed back into the coach house. Now a Soviet vehicle of outwardly less spectacular appearance has creaked into view, so bedecked with olive branches that its real shape is hard to discern. The proposal made public by the Russians at the Assembly would provide three deputies for "the provisional chief of the UN administrative body." Any thought that the deputies would exercise a veto is disclaimed; but the new chief "must seek to achieve mutual agreement with them."

Meanwhile one of the small informal "fire brigade" groups that the Assembly produces at times of stress—in this case, it embraces Argentina, Burma, Ethiopia, Mexico, Norway, Sudan and Venezuela—has been working on a formula close to the one that Mr Hammarskjöld would have presented to this Assembly himself if he had lived. This envisages, as he did, five political assistant secretaries-general; one American, one Russian and three from "countries outside power blocks." The unanswered questions are whether Mr Hammarskjöld's successor would be obliged always to seek agreement with all his assistants; whether he would have any freedom in selecting them; and whether they would be openly appointed as representatives of groups of nations, in conflict with the Charter principle that all UN officials must owe loyalty only to the organisation as a whole. Whether they are three, four, or five, it is the precise status of the deputies that would decide whether a system of vetoes had been smuggled into the Secretariat under cover of a mass of verbal garnishing. A troika camouflaged to look like a bit of Birnam Wood could be just as damaging to the UN's effective peacemaking capacity as Mr Khrushchev's original Model T would have been.

REDUNDANCY

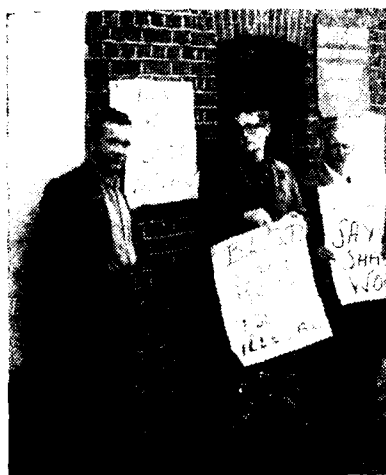
Striking Problem

THE strike at British Light Steel Pressings of Acton is ostensibly a protest against the Rootes Group's supposed plans to sack some workers no longer needed for production: in fact it is another battle in the campaign to put negotiations in the motor industry back into the hands of those empowered by agreements to negotiate—the official unions. By sacking all the strikers and taking men on afresh Rootes may succeed in getting things back on the rails at this plant: Pressed Steel, which employed this policy in an unofficial strike at Swindon and followed it up with a vigorous scheme to train foremen and help the unions to train their own shop-floor negotiators, set an example that Rootes would do well to study.

But the basic cause of discontent that has been exploited by the Acton plant's trouble-makers will remain. Workpeople have reason to be scared at the prospect that they may be sacked through no fault of their own, either because their employer is unable to sell his product or because the introduction of modern machinery has reduced the demand for labour. This week the Scottish railwaymen, faced with extensive sackings because some branch lines are to be

closed down, have been threatening to strike and appealing for moral support from the travelling public who may themselves be inconvenienced by the closing of stations.

In an economy with an acute labour shortage, people must change their jobs just as soon as they are not needed. In industries where there has been a once-for-all reshuffle of labour—in the South Wales tin-



It shouldn't happen to the AEU

plate industry, or in the north-eastern coalfields—elaborate schemes for retraining and rehousing redundant workers have been successful. But the problem is equally urgent in industries—such as the motor industry—where events are far less easy to predict over a long period.

The poverty of union thinking on this subject is shown at its worst by the Amalgamated Engineering Union, which claims that redundancy should not happen and, therefore, refuses to discuss it at all. But many employers are as unthinking as the AEU—or, if they do think about how to compensate and retrain workers whom they no longer need, they are deterred by the cost from doing anything about it. It is a job that must be undertaken nationally, not left to individual employers. *The Economist* has often argued for a far higher initial level of unemployment benefit, and for retraining redundant workers—to which one might add the chance of finding a house in another town if a move is necessary. The need for action on this score has never been greater.

TEACHERS' PAY

New Model Burnham

THE teachers' side of the Burnham Committee had their first chance on Thursday to learn just what the Minister of Education has in mind for overhauling their salary negotiating machinery. It may not have been as drastic as some of them had feared. The opening of these discussions (the local authorities will be consulted next Wednesday) has come at a tricky moment for the most militant section inside the National Union of Teachers. Since the publication of the Minister's specific pay pro-

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posals much of the sting has been removed from the profession's immediate sense of grievance. Although this feeling is far from being shared by the militants, the news that very many teachers most want to hear now is that the Minister has started the necessary parliamentary process to enable him to thrust the promised £42 million into their pockets.

The militants' fire has therefore been concentrated recently against what is said to be ministerial interference in free negotiating machinery. But the NUT executive will merely look foolish if it refuses to discuss the Burnham process altogether: it is no use standing pat on the letter of the 1944 Act when it both empowers the Minister to intervene as he has done this year, and compels him to stage any intervention only at the very end of the bargaining process. But if the Minister steps in at the outset what will be left to bargain over? The best idea seems to be to make the first step a joint examination of the existing teacher supply position, with the obvious financial implications for the grades where serious shortages exist. This discussion ought to provide a pattern for the full award, and it would necessarily affect the kind of global sum that the Minister, in the second stage, would then indicate that he was prepared to entertain. The onus would clearly be on all parties to avoid a situation in which the Minister feels he has no alternative but to write his own award.

The chief fear that the levellers in the NUT are bound to voice is that if the Minister keeps the basic scale in his own hands the argument inside Burnham will concentrate on raising the differentials higher up. In an educational sense this would not be at all an unwelcome development, but the NUT cannot disregard its majority feeling. It is, however, the teachers on the basic scale, who have seen their status eaten away by industrial wage awards, that stand to gain from effective central planning under which real salary increases will benefit those sections of the community that deserve priority. Burnham is only a branch of the wages tree: unless the central trunk takes root from the Chancellor's planting the present prospect of a sound reform inside Burnham may wither away in the NUT's chilly non-co-operation.

EURAFRICA

Think Again

WHEN the Council of Ministers of the Six met on September 26th to decide on the British application to join the common market, it took, unnoticed, a second decision which has bearing on the coming talks. For reasons internal to the community, a series of meetings originally planned for October, at which the new association with African countries was to be elaborated, has been postponed until later in the year.

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This is important for the Commonwealth because it gives the Commonwealth countries in Africa a chance to reconsider their apparently masochistic decision not to seek any kind of association with the common market. Economic interests dictate that Ghana, Nigeria and the others should seek association. Outside, they are in danger of losing not only access to the continental market but their existing rights in the British market too; inside, they would gain free entry for their producers to all western Europe and access to considerable aid funds. Yet Ghana, with the hesitant support of other African Commonwealth states, at present takes the view that the common market system is a colonialist contraption that all good Africans should shun.

One weakness of this view is that it is out of date; the African associates of the Six are now independent and are renegotiating their association, not as overseas territories, but as sovereign states linked, like Greece, under Article 238. Far more important, this standoffishness seems likely to damage rather than advance the vision of Africa Dr Nkrumah cherishes. The Ghana government believes in an independent and united Africa. This will not be achieved if half Africa is inside an association with Europe and half outside. If, instead, the British territories were to opt to come in, they would obviously have an important influence in the shaping both of an African union and of any ties it had with Europe.

It may be that eventually the whole conception of a special link between Europe and Africa will look obsolete and give way to a world-wide economic arrangement. But if Accra shares this view with Washington, the way to implement it is not to ignore the existing association but to join and help it to mature. The African Commonwealth, it seems, has still to learn the lesson Britain is gradually taking in: that to stand aside from the common market system because one dislikes some of its features is to cut off one's nose to spite one's face.

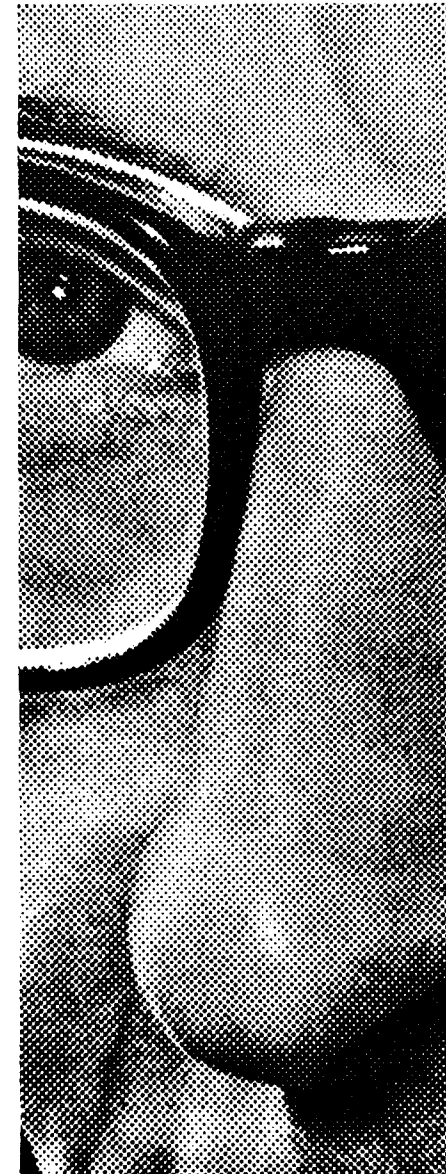
COMMON MARKET

Amber for Green

WITH applications for membership piling up on the salver in the hall, it is not surprising that the Six have replied cautiously to Ireland's application to join the common market. The Council of Ministers last week referred the Irish application back to the European Commission for its views. Since officials are preoccupied with preparations for the talks with Britain and Denmark, this procedural hesitation seems reasonable; but it would be a pity for Europe as well as for Ireland if it masked political motives—such as reluctance to admit a new member who does not belong to Nato.

Ever since the early days of the Council of Europe, when inter-Irish tribal warfare across the floor between Orange and Green drove M. Spaak to distraction, the Republic

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the decision takers...the computer-minded

A business lives—or dies—by decisions. More and more, successful decision-takers are turning to the speed, the accuracy of computers. Slashed costs, decreased wastage, higher output, greater profit, all flow from computer use... but *which* computer? Your needs may be for a full-scale system, a small machine, five minutes at the Computer Centre—or perhaps a computer is not the answer at all. Pioneers in computer development, Ferranti can give you the

benefit of their experience—and if you choose a computer, undertake its installation.

And Ferranti offer a wider range of computers, programs, training facilities and services than any other company. Current Ferranti activities include Nebula (Natural Electronic Business Language for commercial programming), Orion (revolutionary "second generation" computer) and Atlas (most advanced super-speed computer in the world).

PERMANENT WAYS British Railways have made a new senior appointment—a Ferranti Sirius computer to calculate incentive bonuses for six hundred track repair gangs in 5 Midland Region districts. Weekly repair analysis is an extra duty Sirius takes in its stride. Small, economical, very adaptable—that's Sirius.

AIRWAYS The wide blue yonder becomes more congested every flying hour—making traffic control over the Atlantic an ever-increasing nightmare. The Ministry of Aviation asked Ferranti for help; result, Apollo—a new computer at Prestwick Airport designed to bring a skyful of planes to happy landings.

ROADWAYS Road designers Maunsell and Partners took their Hammersmith Flyover problems to a Ferranti computer centre—hired time on a Pegasus and completed weeks of development work in minutes. Maunsells are engineers not computer experts—but Ferranti autcodes allow anyone to use a computer.

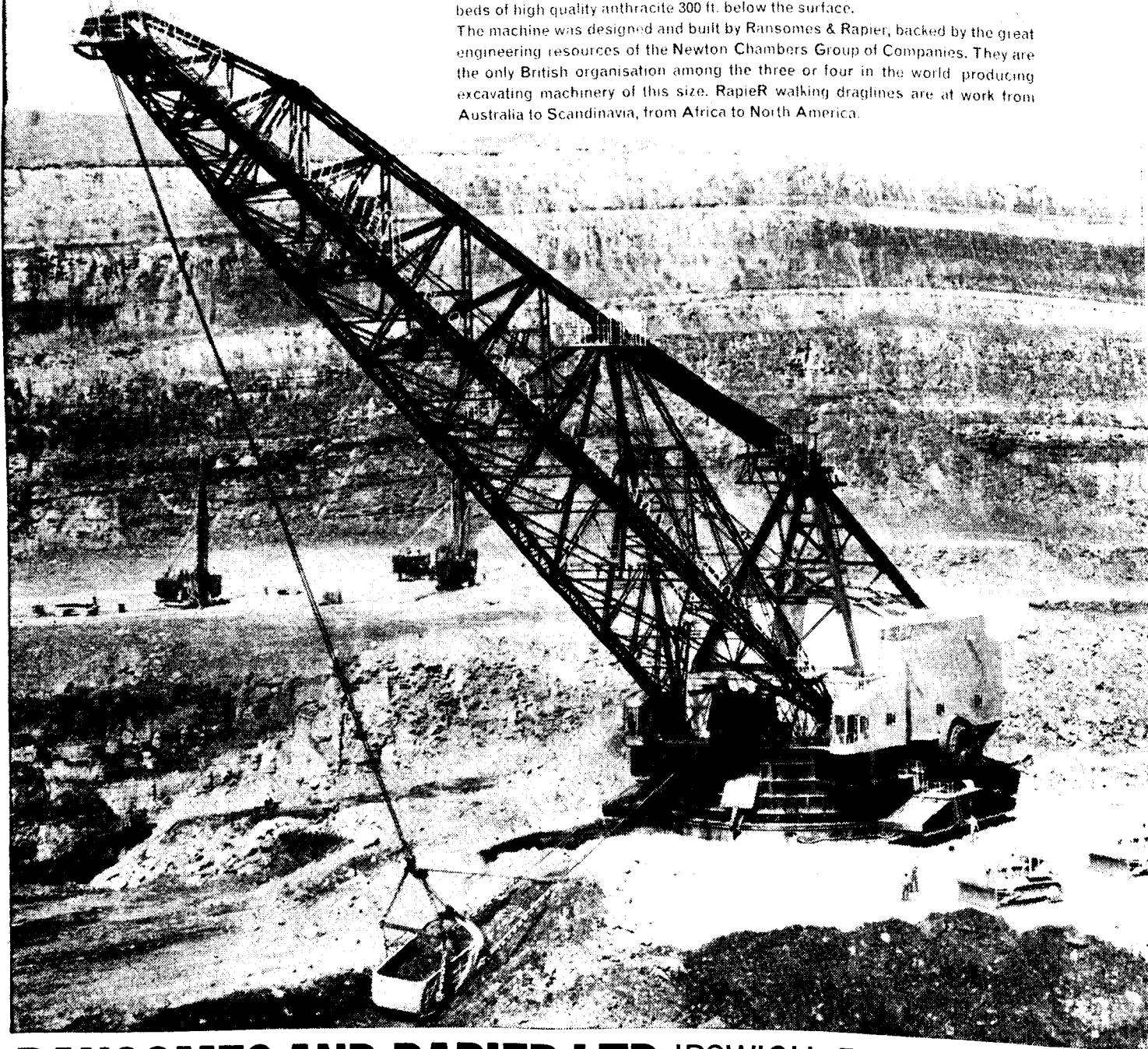
FERRANTI RANGE OF COMPUTER SYSTEMS

London Computer Centres: 68 Newman St. London W.1. (Museum 5040) and 21 Portland Place, London W.1. (Langham 9211)
Works: West Gorton, Manchester 12 (East 1301)

EUROPE'S LARGEST WALKING DRAGLINE... RAPIER-built for faster mining of South Wales anthracite

This mammoth Rapier W.1800 walking dragline, now digging, lifting and dumping 60 tons of rock and earth a minute at the Glyn Neath workings of the National Coal Board, weighs 1800 tons and operates a 40 cu. yd. bucket from its 247 ft. boom. It is being used by contractors George Wimpey, stripping over-burden to expose beds of high quality anthracite 300 ft. below the surface.

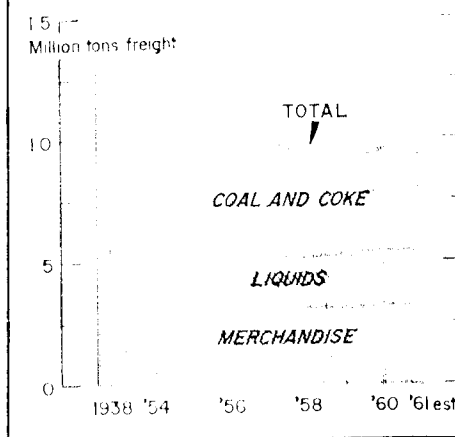
The machine was designed and built by Ransomes & Rapier, backed by the great engineering resources of the Newton Chambers Group of Companies. They are the only British organisation among the three or four in the world producing excavating machinery of this size. Rapier walking draglines are at work from Australia to Scandinavia, from Africa to North America.



RANSOMES AND RAPIER LTD IPSWICH, ENGLAND
A member of the Newton Chambers Group of Companies

INLAND WATERWAYS

Apart from a reduction in the amount of coal carried, traffic and the average length of haul on the inland waterways have changed little in recent years. There was a slight increase in 1960, attributed to the improved facilities being provided under the Development Plan, and this will probably be maintained in 1961.



of Ireland has played a somewhat singular part in the European concert. Chilly isolation on the fringe of Europe nurtured a widespread, and so far unsatisfied, hankering after closer union; historic ties with the Continent gave the European idea greater appeal than it had in Britain.

Ireland's economic links with Britain prevented it from moving faster than this country. But the desire to do so found practical expression when the free trade area talks broke down in 1958 and Ireland then chose not to join the Seven. Economic factors, it is true, played a part in this choice; since Eire already enjoyed free entry into the British market, the incentive to join the Seven was small. But there was also a feeling that the formation of the European Free Trade Association was a mistake, and that the answer to the European problem did not lie in deepening the schism.

Ireland's application to join the community as a full member was therefore, like Denmark's, a considered and virtually unanimous choice. The Six will lose a loyal partner if they fail to accommodate it. Failure would also be a grave disappointment for the Irish. Membership offers their country not only a coveted place on the wide stage of Europe, but an unobtrusive means of burying the waning memories of conflict with Britain. Nor, when the smuggling industry is in eclipse, will the frontier that divides Ireland itself look as forbidding as it does today.

ATLANTIC UNITY

Metamorphosis

GIANT's birthpangs can be painful. To some Britons, the inception of the Organisation for Economic Co-operation

and Development originally seemed a defeat; they saw it as a deathblow to the parent organisation, the Organisation for European Economic Co-operation, which they had striven to preserve as the framework for economic unity in western Europe as a whole. Now that the British are seeking a future in Europe's inner circle—the common market—that preoccupation has fallen away, and it is becoming apparent that the new child, which formally took over from the old OEEC on October 1st, has opportunities as exciting as its parent's.

Thirteen years ago the OEEC was formed to organise the generous aid programme by which America sought to lift Europe to its feet. That task having been accomplished, the OECD, larger than its predecessor because it brings in America and Canada as equal partners, takes on the still more challenging task of organising a joint effort by the Atlantic nations to help the southern half of the globe to emerge from poverty. As yet the OECD's tools are only beginning to take shape. The complex job of co-ordinating the West's aid effort has barely begun; in most European countries, awareness of the sustained exertions required in the next decade has barely touched the surface of the public conscience, let alone of the budget-makers' plans.

But, as in 1948, there is one major factor of encouragement: the immense enthusiasm of the United States for the new organisation. Just as, in the early days of the OEEC, it was American generosity and American insistence that brought the organisation into life, so, today, it is America's new need for partnership that is providing the drive. Just what role the OECD will play in the field

of trade is still uncertain, although President Kennedy's suggestions for joint western policies on imports from underdeveloped countries are a significant beginning in Atlantic co-operation. In the co-ordination of economic policies, the new organisation's role is also shadowy; but there are influential men in Washington who see it as the future high command of a joint western policy on growth. In all this, Britain is now in the fortunate position of a potential insider. If it succeeds in joining the Six, it will no longer be in a passive position, responding to the shocks of the common market dynamo, but part of the dynamo itself; and just as the Six have led Britain, by a mixture of pressure and example, towards greater unity, so Britain may soon be in a position to help to guide the United States in the same direction.

EARL OF SNOWDON

Why the Fuss?

THE earldom bestowed on Mr Antony Armstrong-Jones this week has been taken by some people (not all of them inflicted with inveterate snobbery) to mean that he has gone up in the world; and by others (not all of them advocates of a bicycling monarchy) that he has come sadly down. It is an issue on which every Englishman and his wife would feel it un-English not to pronounce an opinion, and no other people possesses such a battery of professional expertise on which to call for the fitting analogy and finely judicious con-

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DANGERS OF SCHEDULE D

It is objected . . . to the contemplated reduction of the taxation upon the industrial body, that as a whole, and as a class, it already pays less than it should. Persons taxed under Schedule D have the dangerous privilege of self-assessment, and they unquestionably use it. To what extent they do so is uncertain, but every one knows that the amount of fraud continually practised is lamentably large. . . . The Government has tempted the mercantile community by placing it in a position in which it never should have been placed—which was too tempting for human nature to endure without deterioration. It was required to participate in taxing itself unjustly. A tax was imposed which pressed equally upon a richer class and a poorer class; while, by an anomalous absurdity, the poorer class was required to assess how much it should pay, and the richer was not so required. It was unreasonable to expect such virtue from the average morality of ordinary Englishmen. It is much that people should assess themselves accurately to what they consider a just tax. Hardly any nation in the world has ever shown sufficient morality to do even as much as that. But it is absurd to

expect men to assess themselves accurately to what they believe to be an unjust tax. They say, or they feel: 'The Government is unfair to us, and therefore we need not be too scrupulous with the Government. The Government wishes to take from us money which it ought not to have, and therefore there is no such great harm in preventing it from having it.' An obscure idea of this sort lurks in the minds of many who would not be prepared to state it, and who would shrink from it if stated. It does not induce them to defraud the Government of anything which they know to be its due; but it does induce them to decide all dubious questions in their own favour; to catch at every petty circumstance of excuse, however invalid; to give themselves the benefit of every doubt, however shadowy and imaginary be its nature. The impudence of the State, if we may be so bold as to use an expression which is not too strong, in asking people to contribute to their own wrong and co-operate in their own maltreatment, has largely enhanced the inevitable fraud which must exist under every conceivable system of self-assessment.

clusion. But is not all this something beside the point? The new Earl of Snowdon has not become at a stroke any less Mr Jones or any more Princess Margaret's husband. He is who he is, and the particular talents that he can add, as an individual, to the relationship between the royal family of which he has been a member for eighteen months and the ordinary world to which he previously belonged cannot be said to have altered. The abilities of the royal director of the Edinburgh festival are not substantially affected by the fact that he happens to be called the Earl of Harewood. The Earl of Snowdon has his own place to find and fill in public life. It is what he does, not what he is called, that really matters. His title, as the occasion of its conferment plainly indicates, is not so much a matter of importance for him as for the child which, it is happily expected, will be born to Princess Margaret in a few weeks' time. It is merely a good moment to begin the congratulations.

TRADE UNION LAW

Over to Mr Hare

WHATEVER their quarrels with the Government on other issues, the TUC leaders made a great mistake last week when they refused to talk constructively to the Minister of Labour about the shape of future legislation on union matters, and particularly on union elections. Legislation cannot remove the apathy that prevents so many union members from voting: but it could do away with some of the absurd restrictions on canvassing that make union election campaigns so dull: above all, it could remove the increasing public suspicion that the present set-up is far too vulnerable to one form of fiddle or another. This state of affairs has not been brushed out of sight by the expulsion of the Electrical Trades Union—in fact the ETU's dismissal has strengthened the argument for some external arbiter.

To get a proposal for electoral reform through the TUC and then through 180-odd constituent unions would be incredibly difficult and interminably slow: even if Mr Hare is not specially keen on introducing legislation himself, the Government's hand is quite likely to be forced by a private member's bill on the subject. It is worth repeating what has been said before in these columns on the scope of the reform that is needed—perhaps before Mr Hare says something about his ideas at Brighton next week.

The principle behind any new legislation must be to protect the rights of the individual union member—his right to vote and to hear the arguments, his right to join the union of his choice, and his right (even if he is an eccentric) to leave a union without having to leave his job. The means should be to confine the legal privileges of trade

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unions to those registering with an official arbiter, perhaps the Registrar of Friendly Societies. Registration would be refused to unions whose rules fail to protect the members' rights, particularly in elections, or to those—far more common—whose rules are simply incomprehensible. Complaints of victimisation, or of unfair punishment of a member, would be heard by the registrar: relief at common law would still be available to those whose problems could not be settled by the registrar as a go-between. In this way sound advice would be available not only to ordinary members, but also to voluntary union officials who might expose themselves to damages through ignorance of the law rather than through malevolence.

The registrar's most valuable function could be to publish a really comprehensive and frank annual review of his charges, in which he would have discretion to deal more firmly with unions that operate closed shops than with purely defensive clubs—a vital distinction, perhaps too fine to be incorporated workably in legislation. The registrar's criticisms would be backed by the power to strike off a union that failed to pay attention. None of this is anti-union: it might even help them to catch up in public esteem, as well as in their internal organisation, with the standards of the 1960s.

RUSSIA

Daring

LITTLE stimulation is, in general, to be derived from the public debate inside Russia about the new programme of the Soviet Communist party. But there are exceptions. *Izvestia* recently published an article by Mr D. Blokhintsev, a corresponding member of the Academy of Sciences, under the eloquent title, "To search, to discuss, to dare." It is really worth quoting: "For the development of theoretical sciences, it is hazardous to rely on a single scientific school or on a group of scientists with a common stock of ideas; and even more risky to give such a school a monopoly of rightness. Different scientific schools have had, and will have, the right to exist in our country. This fact is of great political importance internationally; it demolishes the view, widespread among scientists of the capitalist world, that the influence of the officially approved schools of scientific thought limits creative freedom in Soviet science."

"Creative scientific discussions (Mr Blokhintsev continues) are unquestionably useful and indispensable. They help to explain the aims of the organised transformation of science, the changes in the original plans and in the original distribution of funds. All this is natural and inevitable. . . . It is important that varying viewpoints be represented objectively in the scientific press. In this way the intelligent reader is enabled to assess every scientific tendency for himself, and to take from each

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what he considers important, useful and valuable." How true; but can it be limited to pure science?

CHINA

Three Red Banners

ANNIVERSARIES, the world over, are occasions for cheerfully making the best of things. This the Chinese duly did last weekend when they celebrated the twelfth anniversary of the founding of the Chinese People's Republic. But throughout the enthusiastic accounts of China's successes in building socialism runs a sombre thread of admissions of difficulties and shortcomings, particularly in agriculture. To conceal these difficulties would in any case be pointless, since serious food shortages have been freely admitted by the Chinese press, and China is being forced to buy immense quantities of grain from Australia and Canada. But to ascribe them entirely to the succession of droughts and other natural disasters over the last three years is less than frank. The dislocation caused by the headlong introduction of people's communes over three years ago must have played its part. If not, why should the Chinese have backtracked on the communes until most of them are now a shadow of their original selves?

The Chinese, however, persist in maintaining stoutly that there is nothing wrong with the communes. There is thus no sign that this particular bone of contention with the Russians is going to be removed. It is significant that at the Moscow reception in honour of the Chinese anniversary, the chief Russian speaker, Mr Konstantinov, editor of *Kommunist*, conspicuously failed to mention the communes, while the Chinese ambassador who followed him went out of his way to praise their progress. There were other signs last weekend that Sino-Soviet relations are not wholly amiable, in particular the failure of the Russians, for the second year running, to send any of their top men to the celebrations in Peking; pride of place among the delegations from the communist block was given to Mr Myftiu, an Albanian vice-premier.

Both the Chinese and the Russians, however, are clearly anxious to present a united front to the outside world. The refusal of the Chinese, for instance, to recognise the reality of the two Chinas does not prevent them from warmly advocating, in the next breath, the perpetuation of the two Germanies. It may be that inside the Chinese politburo the faction is gaining ground which argues that China cannot afford the luxury of an ideological quarrel with Moscow while its economic outlook remains so hazardous. But so long as Peking continues to flaunt the slogan of the three red banners (representing the party's general policy on socialist construction, the great leap forward and the people's communes) the moderates can hardly be said to have won the day.

THE WEEKEND IS THE MOST NATURAL BREAK OF ALL



Wind-storm—tree splinters.
A natural break. Thursday,
Friday—weekend.
A natural break.
Each natural in its way . . .

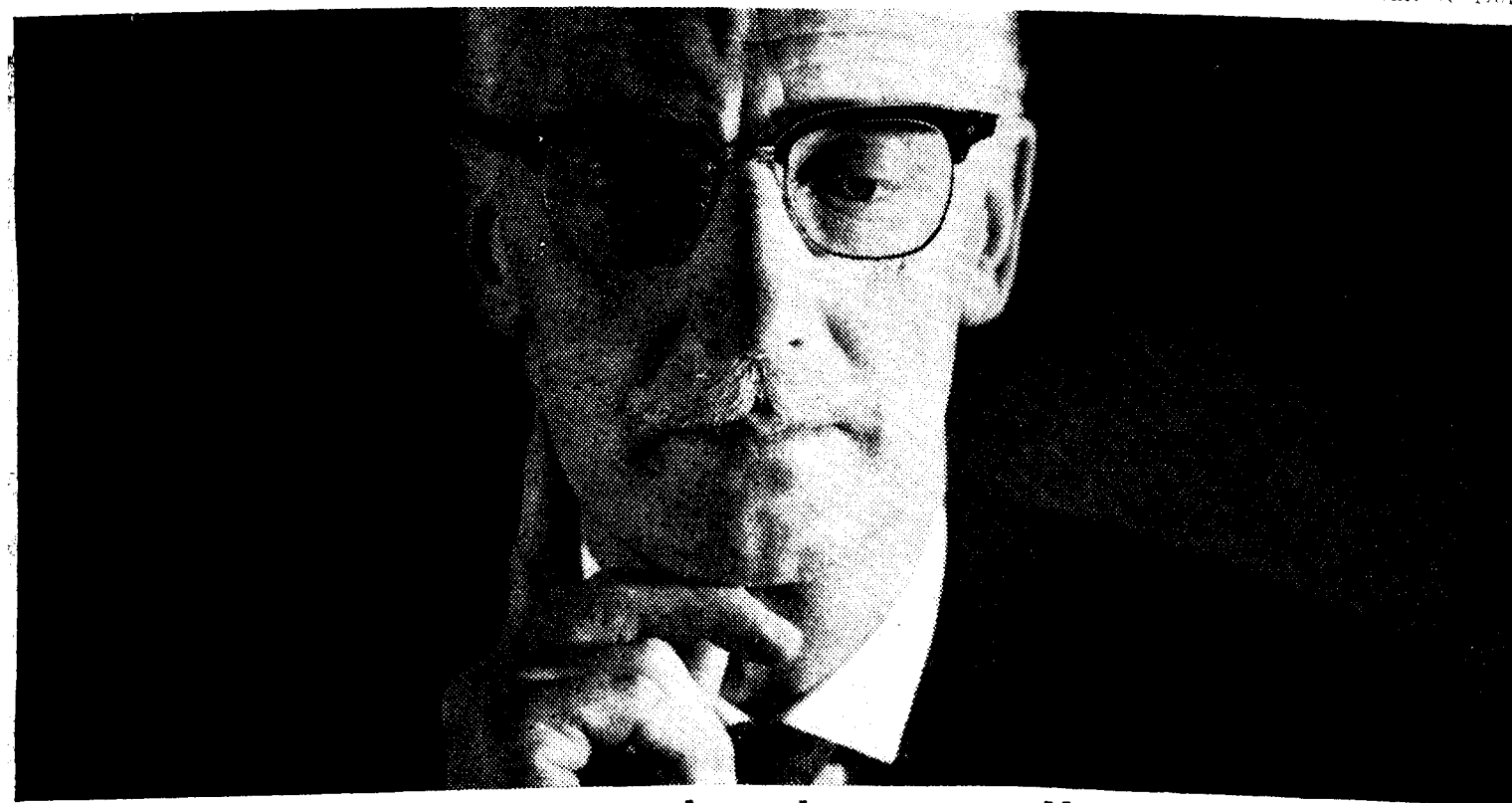
. . . but the weekend is the most natural break of all. Then families relax together at home. It's child-and-chatter time. Plan-the-home, plan-the-budget-time . . .

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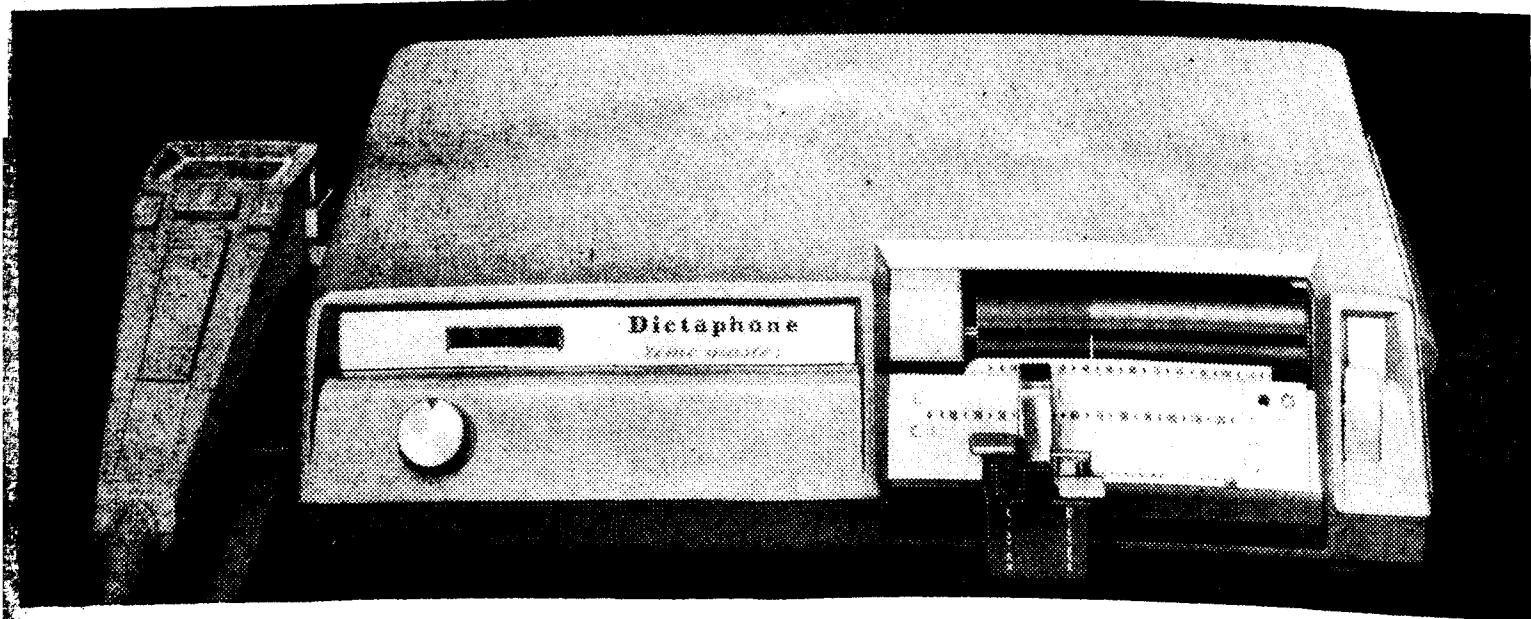


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INDIA

Bed of Splinters

DURING Master Tara Singh's 47-day fast, which he abandoned on Sunday night, many Indians expressed scepticism about the totality of his abstinence. Certainly the 76-year-old leader of the Akali Dal Sikhs regained his buoyancy with notable speed once he began to sit up and take visible nourishment. So, in a sense, did India. Sikh agitation for the carving out of a separate Punjabi-speaking state will doubtless continue. But the Akali leader's withdrawal from his announced "fast unto death" for that cause has disenchanted not only a good many of his own followers but also other enthusiasts for the many sectional and factious causes that plague India. Friends of Indian unity can breathe more freely.

The vast body of the Indian Union rests, sadhu-like, on a bed of splinters. With its 430 million people, India is beyond compare the largest nation ever held together under a democratic system. A bewildering pattern of differences in language, religion, and ways of life divides up its population fully as much as Europe's. China's rulers, and Japan's, can draw strength from the deep reverence toward established authority at the centre inculcated in the peoples of those countries during many a celestial dynasty. India has no such tradition: even its capital city is the creation of two waves of alien and transient conquest, and its nationalism, like its frontiers, is the product of the British raj. Even after the rough surgery of partition in 1947, separatism has gone on working like a strong poison in the country's veins.

The Akali Sikhs' case was founded ostensibly on the principle, already applied widely throughout India, that political units should correspond to linguistic frontiers. But their demands would have brought them, in practice, a part-Punjab dominated by the Sikh religious community, and by its most militant elements at that. Linguistic delineation has to stop somewhere, if India is not to become a Holy Roman patchwork quilt in which every small tribe has its own state; religious communalism has to be checked at the outset if India, with its forty million Moslems, is to remain a secular state at all. Mr Nehru's principles, and his nerve, have seen him through a severe and, probably, a crucial test.

NEW UNIVERSITIES

Frozen Fourth?

THE designation of the fourth new university to follow Canterbury, Colchester and Coventry in this year's batch is still hanging fire. The University Grants Committee, acting on the policy of providing 170,000 student places by the early nineteen-

NOTES OF THE WEEK

seventies, recommended a location to the Chancellor of the Exchequer at the end of July. The two months that have elapsed may be an indication of both Mr Lloyd's preoccupations and the effect of the policy of the pause. It is highly desirable that everyone, and particularly the rival claimants, should be put out of their misery and effective planning for the new foundation allowed to get under way.

No other foundation is to be considered until after the Robbins committee's report has been produced and lengthily mulled over: the argument for making every possible effort now to alleviate the 18-plus bottleneck, not merely in the early seventies but in the middle sixties, is a strong one. The UGC, in its annual report, calls attention once more to the fact that not only are more children staying on in the sixth forms but the number of 17-year-olds in Britain will jump by 225,000 between 1962 and 1964. This is one answer to academic grumbles about the quality of some of the undergraduate entry in recent years (when the selection for 20,000 extra places has had to be made from the relatively small age groups born up to 1942). But it should have an even greater impact on the authorities.

The UGC believes (as some of its recent choices have demonstrated) that the postwar increase in student mobility has weakened the argument for confining the new universities to the main centres of population. It would be agreeable to concur in this view if the need for a crash programme in expanding higher education were not already paramount. As things are, the lack of proper residential accommodation usually condemns the mobile student to indifferent lodgings in a strange town and a 9-to-5 academic existence wherever he goes. Private benefaction (particularly on the scale that the London School of Economics has enjoyed this week) can bridge some of the yawning gaps in the provision of halls of residence, but in the immediate future is there not something more to be said for second universities in, or on the outskirts of, the larger conurbations? Collegiate life may be an ideal (although the Scottish tradition used to be an eloquent case for what can be achieved without it), but for many young people in this decade the choice can only be between half a loaf and none.

NIGERIA

Too Friendly

NIGERIA could congratulate itself last Sunday on a successful year of independence in domestic matters. The unity of the country has been consolidated; the Cameroons tangle sorted out. The foundations have been laid for a new five-year plan that will move the economy forward at a respectable pace. The press is still free; and the opposition continues to oppose.

All this is a considerable achievement, but some Nigerians are, nevertheless, unsettled. One of their regrets is that the government has not given a lead in centralising economic planning, and that there is too much competition between the regions. A deeper complaint, however, is that



Sir Abubakar: too broad a smile

Nigeria is too friendly with Britain. The defence agreement between the two countries is constantly under attack, and was condemned at a recent Nigerian conference on African affairs in Lagos opened by the prime minister, Sir Abubakar Tafawa Balewa. Nigeria and Britain are, in some African eyes, altogether too comradely. But if this develops into the kind of relationship that Britain and India have (in which mutual criticism is all the stronger because it is in the family), then Nigeria will have set a good example for relations between Britain and other African countries.

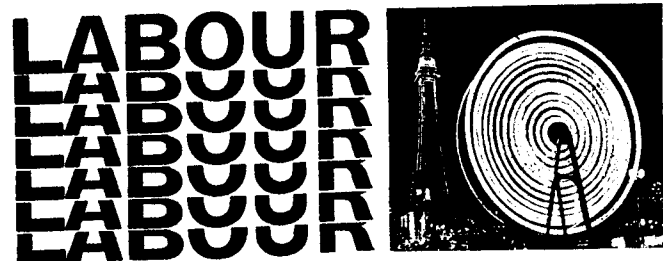
The same conference spoke in favour of the kind of pan-African unity favoured by Dr Nkrumah, as compared with Sir Abubakar's more hesitant approach. A good many Nigerians, especially young ones, want a vigorous foreign policy that would assert Nigeria's leadership in the continent. Certainly Nigerians have done a good job as members of the United Nations' force in the Congo, and Sir Abubakar showed his temper when he broke off relations with France because of the nuclear tests in the Sahara. His other principal foreign achievement has been his leadership of the "Monrovia" group of African countries: a bigger group by far than the one Ghana speaks for, but quieter. None of this adds up to the "showboy" kind of politics that goes down well in west Africa. This is no bad thing. But perhaps Nigeria should now be ready to play a slightly more assertive part in African affairs.

Appointments, Business and
Personal notices and other
Classified Advertisements
pages 83, 89 and 90



HOME REPORT

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



Winning the Last War

FROM OUR SPECIAL CORRESPONDENT AT BLACKPOOL

THE Labour party came to Blackpool with the exhilarating knowledge that it is now five points ahead of the Tories in the Gallup Poll, and with everybody therefore busily counting his portfolio in the next Labour government before it is hatched. It was clear from the outset that the events of the past year, with the big wheel-round in the party since the Scarborough conference, have given Mr Gaitskell the power to create that hypothetical government in the attractive image that he would wish ; but it also became clear very soon thereafter that he is still not using that power particularly clear-sightedly.

This is not because he lacks the necessary talents: Blackpool confirmed Scarborough's revelation that he is the most effective and at times the most moving orator British politics have had since television made oratory once again important. His potentially fatal blind spot is that he still has not learned to pick out which electoral albatrosses he needs to cut himself off from. At Blackpool he triumphantly (well, more or less triumphantly) won last year's war, and failed to see that in the process he was running away from this year's one. The confusion arose from the fact that it was still the familiar figure of Mr Cousins who was brandishing the main albatross.

Mr Gaitskell was concerned to prick Mr Cousins's balloon over the questions that mattered last year, foreign policy and public ownership, and this he did with gentle skill—considerably aided by Mr Cousins's own speech on Wednesday, although amid the usual left-wing shouts of "foul." But the real image in which Mr Cousins is a massive threat to Labour this year is as the union leader whose immediate purpose in life is to lead a major strike that "will have an impact upon the public." What a real impact means is an impact of infuriation, and here Mr Gaitskell has plainly failed to dissociate the Labour political movement from the momentum Mr Cousins is setting: indeed Mr Gaitskell led into potential catastrophe with his chin. The national executive opened the conference with the tabling of an emergency resolution attacking the Government's pay pause, in the belief that the debate on this would attract white collar workers, and then seemed surprised that the debate's only effect was to enable Mr Cousins to gather all that fearful publicity on the first day by shouting his threats, via the watching telly, into floating voters' homes.

Mr Gaitskell's second, and minor, disappointment was that he did not win over as many of the votes of the constituency Labour party zealots as the Campaign for Democratic Socialism was confidently expecting. At the moment about half seem to be voting against him. Because these votes had divided in Mr Gaitskell's favour at the end of the Scarborough conference, there had been some hope that in this year's election for their section of the executive they would sack Mr Mikardo and elect Mr Healey ;

instead, admittedly partly because of a split vote on the right, they promoted Mr Mikardo one place above Mr Callaghan. But this failure is relatively unimportant except in so far as Mr Gaitskell—once again misjudging his power—allows himself to be unduly worried by two of its indirect effects.

One of these effects is the continuing influence within the executive of the Greenwoods, Castles, Dribergs and Wilsons whom the constituencies elect. Here again one of the lessons of Blackpool is that Mr Gaitskell should really be in a pretty strong position now. Before last year's Scarborough conference the national executive had shown itself ready on occasion to vote down Mr Gaitskell, but this year it voted him down only once (on a motion that might have extended indefinitely the suspension of Mr Zilliaceus) and even then the first voting was a 13 to 13 tie, resolved against Mr Gaitskell only by Mr Crossman's casting vote as chairman. On all other matters the executive sided heavily with the party leader, including significantly on a motion that finally buried the vote-losing scheme to municipalise all rented houses. Moreover, despite the disappointing constituency party voting, the new executive elected at Blackpool shows one net Gaitskellite gain, because the trade unions have helped to re-elect Miss Herbison to the women's section in place of the leftist Mrs Jeger.

IT became increasingly clear during the conference that last year's Wilsonian wing of the executive—the people who so ostentatiously refrained from applauding Mr Gaitskell at Scarborough—is in process of doing the splits. Those to the left of Mr Crossman are still an anti-leadership clique, and although Mr Crossman has moved nearer to the leadership, as he still has reservations, as he explained in a chairman's address of quite wonderful dottiness. Mr Crossman ascribed this year's flight from sterling to the dollar and D-mark as proof of the success of the communists' challenge to the “kind of unplanned affluence we see in Europe and Britain and America,” a challenge which he said could only be met by the British Labour party sticking to a policy of massive nationalisation. But Mr Crossman's address fell interestingly flat, and Mr Wilson's performance at the conference was a much more sensitive indicator of the way that the wind-up is blowing. Mr Wilson was working very hard to reintegrate himself into the Gaitskellite wing of the party, and his job as shadow Chancellor seems to be safe. This is regarded by the Gaitskellites as a great achievement for unity. And it is considered bad form to mutter about the distinction between an albatross and an ally.



Messrs Brown, Gaitskell,
Bowden: how hypothetical?

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An important point is that the anti-Gaitskell votes of the constituency parties, added to Mr Cousins's million votes and those of a few other unions, give a rock-bottom conference vote of 1.7 million for any left-wing motion under the sun. As any vote of over 3.2 million now wins a conference majority, this means that Mr Gaitskell is beaten whenever unions deploying anything over 1.5 million votes join in. On various issues, from time to time, this seems bound to happen. It did happen twice during Wednesday's foreign affairs debate, on Polaris and German troops in Wales. But as nobody supposes that Mr Gaitskell's actions need be altered one whit by these defeats, they do not matter. Strangely, Mr Gaitskell's hand is likely to be forced by the way that he won Tuesday's large majorities on domestic policy more than by Wednesday's defeats on foreign affairs; as a result of the pledges that he gave, it seems almost certain that Labour's election manifesto will still have to include a commitment to nationalise steel, plus some vaguer nationalisations as well.

BUT the most insidious effect of the conference system now is that it is plainly inhibiting Labour from adopting policies quickly to meet new problems that turn up. The most obvious instance at Blackpool—Labour's non-policy on the common market—was partly mitigated by the liberal tone of Mr Brown's speech on Thursday, when he propounded excuses for accepting a motion that began "Conference does not approve Britain's entry into the common market unless. . . ." But even this leaves Labour lagging behind the Conservatives on this issue, although it would certainly be to both its electoral and economic advantage to have got in front of them.

If Mr Heath's negotiations at Brussels fail, Labour will not now be able to pick up the considerable pro-European vote in the country by saying that this tired government has not tried hard enough. If the negotiations succeed, Britain is most likely to enter the common market from about January 1, 1963. The election—*pace* Labour's hopes—will not be held until late 1963 or more

Back to the Wooden O?

FROM OUR SPECIAL CORRESPONDENT

THE provincial theatre has been long-mourned; so pervading and enduring is the wake that even the antics of Nottingham town council in the dim and dismal struggle over its civic theatre have not noticeably exposed the city to ostracism, wrath or scorn. Despite the Arts Council's efforts, the Chancellor's belated promise of aid, and the dribs and drabs from rate-payers that help to sustain some of the remaining repertoires, it is doubtful if enough local authorities will adopt the arts centre (plus restaurant) concept that could ideally give the theatre and other arts a new infrastructure in the country.

To build a proper arts centre, with underground parking and the other necessities of lively existence, costs up to £1½ million; even a new theatre on the Nottingham model can hardly come out at less than £400,000. This is one reason why theatre-in-the-round is coming increasingly into the picture as the best way of filling provincial gaps.

The new Chichester theatre-in-the-round will cost £104,000 to complete (first estimates were even more modest): it is

designed for an audience of 1,500. But ventures of this kind can start from much less prosperous surroundings. One of the best examples is the Pembroke theatre at Croydon where, since 1959, a small proscenium arch theatre built in 1891 has been adapted at an initial outlay of only £3,000, much of it to satisfy the fire regulations. The Pem-

broke is now the obvious candidate to move into Croydon's arts centre when that project is completed next autumn, but its experience to date should be an encouragement to others to attempt something of the kind elsewhere—as the theatre-in-the-round idea has spread in the United States. Example ought to be a hundred times better than exhortation ; it will have to be if this country is not to end up with the dullest provinces in the world.

The Pembroke grew out of an idea by

probably 1964, and by then Labour will look hopelessly fuddy-duddy if it is regarded as a suspicious detractor of a treaty that has already been signed. Yet the national executive's caution at Blackpool was frankly dictated by the fear that on this issue the usual left-wing rebels could pick up some unusual support from the right.

So, on the most important policy decision in British politics today, Labour has once again let its judgment be hamstrung by undue subservience to a conception of conference policy-making which annually grows more ineffably absurd. And that this conference is absurd as a policy-making body is now increasingly accepted on small matters, although it is still allowed to get in the way of big ones. There was one beautiful little cartoon of the present system on Monday when the mineworkers' union moved a resolution to nationalise the oil industry in order to prevent British consumers from getting cheap oil. Motherwell was to have seconded this motion, but Motherwell was still at lunch, so Mr Crossman said "Resolution falls." But Mr Crossman's colleagues on the platform were not having this, and Mr Gunter rose to say how much the executive welcomed the motion, but that perhaps there was a technical difficulty about nationalising oil because Britain does not produce any oil, so perhaps the miners would remit their motion to the platform. There was also the more traditional humour of Mr Ted Hill's fraternal address, which has been hailed as very responsible by everybody who did not properly listen to it.

The usual quarrels arose about votes taken when many delegates were in the tea room, the hilarious muddle over the ballot on the ETU when delegates were asked to vote on "whether the national executive's report should not be referred back" and then were castigated for saying "Eh?", and the growing habit of the executive of accepting motions on the clear understanding that they did not mean what they said. This latter practice is not necessarily to be criticised, but it will be a sad mistake in statesmanship if the leadership is to continue to temper every major new policy in order to avoid an extra decibel of booing at the assembly at which it first emerges.



Mr Clement Scott Gilbert (now its managing director) that the West End needed the type of off-Broadway theatre that could introduce new plays to smaller and more sophisticated audiences. But the rents in town proved prohibitive. At that time the Grand theatre in Croydon was closing amid loud protestations and complaints: 75,000 people signed a petition for live theatre to continue in the town. It seemed likely that the new group could take over the Grand

audience and break even from the beginning. But things did not turn out that way. There was an initial distrust of sitting round the arena: those people who did turn up insisted coyly on filling the back seats. In the event, the Pembroke had to build up its own audience from scratch, and its success is an indication that a new type of theatre-goer can be flushed into the open.

CROYDON has particular advantages. It can attract the West End management and critics, so that a success like *Inherit the Wind* has every chance of moving into town: this increases the prospect of getting good names into the cast. In fact the Pembroke could not have washed its face without the touring account fed by those productions that have gone straight to London or round the provinces. Its capacity audience is 450 (a "take" of £152) but this may have to be reduced to cope with some productions in the arena so that the prospective take is of the order of £700 a week. With the cast receiving Equity touring rates this does not leave much margin for upsets. The Pembroke has now been promised a subsidy of £750 from Croydon,



A new audience

with hopes of a similar amount from the Arts Council, to tide it over until it moves into its new home.

Savings come from the reduced cost of upkeep and the need to employ only a fraction of the staff that a West End theatre requires. Settings for theatre-in-the-round are, of course, incomparably cheaper. The

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settings for *Inherit the Wind* in New York (which is notoriously expensive) cost £25,000 and at the St Martin's £1,000: in Croydon they ran to exactly £111. To put *Unfinished Journey* into production recently required only £100. The biggest oncost is for extra lighting: costumes are dearer in London than in the provinces. Naturally, if companies could transfer from one theatre-in-the-round to another their transport costs for sets would be minimal.

The need to establish some circuit for productions obviously needs to be pressed further; not everything can expect to be snapped up in Shaftesbury Avenue. But this depends on local enterprise to bring the actual arena theatres into existence. Croydon may be a special case, but it could contribute a great deal to a wider provincial network. For those city fathers who do not find the prospect sufficiently exciting in itself there is a growing weight of evidence to show how much can be done in Bruddersford with a small initial outlay, an annual subsidy of, say, £3,000 to get things going (less than J.D. on most rates), plus sheer initiative. It is easy to see which factor is usually lacking.

Out of Sight . . .

IN the early years after the war, quite a lot of public attention was directed towards the care of old people not living in their own homes. The Rowntree committee's report, published by the Nuffield Foundation in 1947, graphically described conditions in some of the public assistance institutions (alias workhouses) in which so many of the indigent aged spent the last years of their lives. No less distressing was the picture also given in the report of some private "homes" for old people run for profit. At that time, if they were not registered as nursing homes under the Public Health Act of 1936, they were not subject to statutory inspection, and an unscrupulous proprietor could always threaten an inmate who complained with transfer to the workhouse.

Since then, and especially after the final break up of the poor law with the passing of the National Assistance Act, the welfare authorities have enormously improved their residential accommodation for old people—for those, that is, who are not chronically ill. The same break up of the poor law had, however, the result that much of the old workhouse infirmary provision was diverted to ordinary health service purposes, but usually for the benefit of the acute sick. Hence the frantic search that often has to be made for nursing home or convalescent provision for old people whom the hospital authorities have discharged or cannot, or will not, take in. Hence

the increase in nursing home beds, other than maternity beds, since 1948. Hence, too, a report*, published by the National Corporation for the Care of Old People (itself a direct result of the Rowntree committee's report), on the extent to which public supervision of these nursing homes is adequately carried out.

In 1960, there were about 1,200 registered nursing homes in England and Wales, with about 18,700 beds (of which 1,620 were maternity beds). In addition, there were at least 114 voluntary (non-profit-making) homes, with about 5,500 beds, that were exempt from registration. These nursing homes, registered and exempt, ranged from something that is virtually a small general hospital to a private house owned by a former nurse, taking two or three patients. They catered for all ages and for most complaints and disabilities. But, from a sample questionnaire which the authors sent out to the registered homes only, they found that 87 per cent of those replying catered mainly or entirely for the elderly and that 85 per cent of all the patients were of pensionable age—in fact, half were women of 80 years of age or more.

Even in these registered homes, which were liable to inspection, standards of staffing and accommodation varied widely (as, of course, did the fees). But the

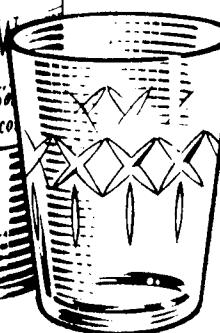
* Nursing Homes in England and Wales. By Caroline Woodroffe and Peter Townsend. 7s. 6d.

authors emphasise that conditions in the registered homes do not tell the whole story, for many establishments, in fact run as nursing homes, escape registration altogether, partly because the dividing line between nursing home, convalescent home, guest house for the elderly and so on is very difficult to draw. For the same reason, minimum standards that inspectors could insist on are very difficult to lay down.

MUCH wider powers of enforcing standards and of inspection are given to local authorities by the Mental Health Act of 1959 in respect of mental nursing homes, and the report points out that this legislation provides a precedent for new legislation in respect of all nursing homes. The difficulty is that though proper inspection could enforce adequate staffing and better physical accommodation, it cannot, however rigorous, ensure kindness towards the patients.

In theory, private nursing homes should be far less impersonal places to die in than a hospital ward. In practice, the reverse is often the case. The report cites, at one extreme, a proprietor who showed affection and practical sympathy to her patients, allowing them to bring their own belongings ("one brought 49 pictures with her") and, at the other, a matron who referred, in unpleasant terms, to a patient's incontinence in his presence. Inspection needs to be flexible enough to retain the first type of proprietor, even if, say, staffing standards are low, but to close down the other, however spick and span her premises.

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LETTERS

Germany

SIR—The weight of the arguments put forward in "To One Via Two," in last week's issue, is diminished not by what is proposed but by what has been left unproposed.

It is normal in any alliance of free peoples to consider one's allies' special situations on matters which affect one member more directly than others. However, it is to be greatly feared that the curious state of affairs which has existed during the past decade of the west German tail wagging the Nato dog will continue until western politicians face the fact that so long as the larger, more aggressive part of Germany is married to Nato there can be no hope of bringing the two Germanies together. One would scarcely expect the Kremlin to tolerate a reunification of Germany which would leave this nation aligned to the West. Moreover, as discussed in "Two Minds in One," the following article in the same issue, *de facto* recognition by the West of east Germany might so undermine the position of the politicians in west Germany as to cause a resurgence of nationalism similar in effect to national-socialism in Germany following World War I. The danger, of course, lies not so much in what the west German nationalists could do themselves as in what they could cause the two armed alliances in Europe to do to each other.

Today's Berlin crisis affords an unsurpassed opportunity to re-examine the significance of the military alliances in Europe. It is disquieting in this atomic age to hear serious discussions on the significance of the balance of power in central Europe, for surely under the present circumstances this is at best a secondary consideration. The crisis carries with it the danger of ultimate war. Why must we continue to dodge the ultimate solution—disengagement in central Europe and a neutral Germany, reunited under United Nations supervision? That this solution is distrusted in many western circles is undoubted. That the future of the common market, among other things, would be confused is quite apparent. That the Russians, in their present belligerent state of mind, would entertain such a solution is far from clear. But as against the mere postponement of our problem to the inevitable day when the east German communists will attempt an exercise in their new-found "sovereignty" in defiance of the West or until the west Germans seek a solution of their own, these problems certainly appear negotiable.—Yours faithfully, South Croydon, Surrey CLIFFORD STEELE

Liberals

SIR—I hope I can afford to ignore your special correspondent's reference to my contribution to the Edinburgh assembly as one of the "comic turns." So far as "over-

doing my usual free-trade act" is concerned, it is true that on one occasion I went on too long but that was because the warning red light was very difficult to see.

There is nothing "comic" about my opposition to the policy of Britain's joining the common market and I consider the Liberals, led by the Bonham Carter clique, have gone dead wrong on this issue by placing themselves firmly behind a discredited Macmillan who has admitted that he has "no alternative policy." Thus in the early stages of the most fundamental political issue the British people have possibly ever had to face, the Liberals have destroyed in advance all room for manoeuvre.

In my opinion you, Sir, also jumped too soon. You have been right for years on agricultural policy but seem to have missed the point that if industry is to be subjected to greater competition, which, as a free-trader, I naturally approve, the cost of food must be allowed to go down too, not up, otherwise the whole economy will be subjected to such pressures as will bring it to a grinding halt and there will be no scope whatsoever for capital accumulation.

Since the destructive mistake of Ottawa in 1932, it has been accepted thinking that our trading policies have to be based on "special relationships." Hence the view of the little Europeans that imperial preference should now be replaced by common market preference.

I suggest that out of the debate, still in its very early stages, will come the realisation that the population of these islands can only be sustained in freedom, prosperity and peace by returning to policies of non-discrimination in trade, through the unconditional most favoured nation clause, and the removal of protection from our hopelessly unbalanced domestic agriculture. We are in fact in a corn-law situation. Its solution may well produce a new political party, as it did last time.—Yours faithfully, London, EC2 OLIVER SMEDLEY

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SIR—I may be already a doyen, but I am not old enough to be Mr Gladstone's grandson.—Yours faithfully, RICHARD MOORE Secretary-General, London, SW1 The Liberal International

Freely Negotiated

SIR—I have no wish to embark upon a detailed answer to the article in last week's issue. I should, instead, like to illustrate the absurdity of the present position by one example.

We have, over many months, been negotiating with a government department on the pay of a very small group of people. We eventually narrowed our differences to the scale maximum of one grade, employing less than forty people. The initial difference

of £60 was reduced to £40 and, after some informal discussions, we agreed that we would compromise on £30. This we put to our members and persuaded them to accept. The department concerned would have been content with this settlement.

The intervention of the Chancellor in what would have been a "freely negotiated settlement," by any definition, has meant that the department cannot now reach the compromise settlement. The result is that the Chancellor has saved less than £400 a year, for the time being, we have a settlement imposed upon us, and the staff is thoroughly disgruntled. Not because of £10 a year, but because they know that a mutually acceptable settlement could have been reached. I cannot believe that you regard this as a sensible wages policy.—Yours faithfully, CYRIL COOPER General Secretary

Society of Technical Civil Servants
London, SW8

Traffic Engineers

SIR—Following a request from the Minister of Transport for our views on the general problem of the need for qualified traffic engineers, and means of satisfying that need, the Institution of Civil Engineers earlier this year appointed a committee to investigate the question. It was therefore with particular interest that I read the note "Slow Road Through Red Brick" in your issue of September 2nd.

While recognising the shortage of trained traffic engineers, the committee thought that a far more serious problem arose from the lack of the technicians who must be employed to assist the engineers if the latter are to be used efficiently. The suggested ratio is four technicians to every engineer and, on this basis, there is an apparent shortage—to cover immediate needs and those of the next five years alone—of over 1,000 technicians. Moreover, there seems to be no recognised qualification that they can obtain and little provision for their training.

The institution has therefore approached the City and Guilds of London Institute with a view to providing a qualification for traffic engineering technicians. The institute has welcomed the suggestion, an exploratory committee is being appointed, and a draft syllabus prepared. All this, of course, serves only to emphasise the need to recruit and train teachers of traffic engineering.

I was pleased to see your reference to the institution's traffic engineering group, but you suggested that it serves only senior engineers. This might be the case to some extent if membership of the group were confined to members of the institution but, in fact, it is open to all who are directly concerned with traffic engineering.—Yours faithfully, A. McDONALD

Secretary, Institution of Civil Engineers
London, SW1

Wilson Becomes a World Figure

Wilson: *The Struggle for Neutrality, 1914-1915*

By Arthur S. Link.

Princeton University Press. London: Oxford University Press. 749 pages. 80s.

WITH this volume Professor Link's hero is catapulted into the stage of world history. When the trigger was pulled at Sarajevo Wilson was still a "mere" American-spokesman for a country, impressive, exciting, commercially dynamic, expanding—but also from the point of view of the chancelleries of Europe remote and irrelevant. By October, 1915, when this volume ends, he has become a figure around whom the policies and strategies of the two major belligerents revolve, whose frown they both fear, whose foibles they both study.

For the biographer these years—or months—of transition present an acute challenge since the Wilson of this phase is less an actor than a point around which other actors move; to make him fully comprehensible the policy-making of London and Berlin has to be described almost as fully as that of Washington. Moreover, since even now the diplomacy of the belligerent powers has not attained the status of "definitive" history, this involves fresh research in European as well as American archives. Thus behind Professor Link's smooth narrative lies a deceptive amount of original inquiry; for Britain in particular, characteristically the most secretive of the three, he has exhumed a wealth of material that makes his pages a notably fresh contribution to the history of Anglo-American relations. As a result we have here not only a chapter of Wilson biography; we also have what is the most complete and balanced account available of American-European diplomacy in the first twelve months of the war.

This volume is primarily a study in diplomatic history. The domestic story is held over for later treatment, to give extended scope (though no greater than the subject merits) for a careful examination of Wilson's course in foreign relations. The focus is on the White House and the State Department and it covers the sad, almost pathetic process of the breaking of Bryan and the emergence of Lansing as a tool better suited to the President's hand. But behind the diplomatic notes lies the continuous force of American public opinion, now active, now inert, to be played on only within limits and by those who can distinguish between its constants and its mutables. Professor Link is notably shrewd about this, where so many even of his fel-

low American historians have often been imperceptive; his opening chapter on "Initial Reactions to the War" is alone worth the price of admission, with its sensible assessment of the roles of British and German propaganda and the fine shades of American feeling about Europe and the conflict.

A British reader may perhaps be forgiven for thinking that the Anglo-American story in these first twelve months, with its subtle shifts of mood, is more interesting than the German-American with its cruder issues and generally clumsier diplomacy. Professor Link tells both well, but it is only necessary to read, for example, his account of the British handling of the cotton contraband controversy to see how here at any rate Britain was able to outpoint Germany. This was so because its rulers had a better instinctive understanding of the United States than the Germans and showed a consequential concern for those American interests which their warmaking might affect. This put the two belligerents on different levels from the first and here, if nowhere else, the Wilsonian injunction about being neutral in thought as well as in deed was bound to break down. Even initially it was only superficially true, as Wilson said, that this was "a war with which we have nothing to do." From the start there were certain bonds and commitments, and the illusion that American diplomacy could be kept aseptically neutral, while American finance and commerce were getting increasingly involved with the allies, has already worn thin by August 1915 when Lansing has to warn Wilson of the grave consequences for the American economy of not helping Britain to maintain its purchases with America. More than most men Wilson seems adept at not letting his left hand know what his right hand was doing. Or did he? This is a question which Professor Link will have to answer before his narrative reaches April 1917.

BBC Under Pressure

British Broadcasting in Transition

By Burton Paulu.
Macmillan. 260 pages. 35s.

JUST when his compatriot, Professor H. H. Wilson, seems to have persuaded sensitive souls that commercial television was all due to a pressure group, Dr Paulu comes forward with rather more obvious earnestness to assure them that the BBC and ITA are both doing well after all. Unexciting stuff, perhaps, but at least it re-

dresses the balance. In a brief account of the campaign for commercial television he gives more prominence to the Conservative party's preference for private enterprise, and he understands better than Professor Wilson that much opposition (for instance, by press and cinema interests) was not disinterested idealism.

On the great issue of competition or monopoly, Dr Paulu has no doubt what the record proves. With the painstaking documentation expected from the Director of Radio and Television Broadcasting in Minnesota University, he comes out with a thumping, if not exactly thundering, verdict for competition: wider choice, improved standards ("on the whole") and "outstanding improvements in the coverage of politics and controversy." The BBC has been spurred—or pressured—to better work and though it has sometimes vacillated by confusing imitation with competition, its service is now more varied and complete than in the last days of stuffy paternalism six years ago.

The ITA, itself subject to rival pressure, also emerges with a better record than British critics would allow, presiding unostentatiously but commendably ("on the whole") over mettlesome contracting companies producing first class entertainment, drama, political, religious and schools programmes—and the author's field research was done in 1958 and 1959 before the alleged pussyfooting Pilkington period started.

So Dr Paulu concludes: "Competition has been good for British television"; and with flattering intent credits our genius for compromise with "high standards of programming and advertising, without interfering with the freedom of expression so essential to the life of a democratic country." Yet when he comes to offer Sir Harry Pilkington and Co. his conclusions—"bold as it may seem"—he suddenly opts for a continuance of the BBC's radio monopoly, extended to local broadcasting, while questioning whether the 50,000 listeners to the Third Programme merit 10 per cent of our radio frequencies. On TV he comes out for an extra channel for the BBC if it can manage with a £4 licence, and an extra channel for ITA, which would ensure no more than "reasonable profits" by higher rents, levies or profit—and loss?—sharing agreements. But what exciting things might ITA do with the loot? After such bold judgments, these recommendations are disappointing and look like an unimaginative attempt to anticipate the well-worn British genius for compromise.

Unruly Pupil

C. G. Jung

By E. A. Bennet.
Barrie and Rockliff. 173 pages. 21s.

THE dilemma of any author who seeks to put the life and work of Professor Jung between hard covers is that he has to



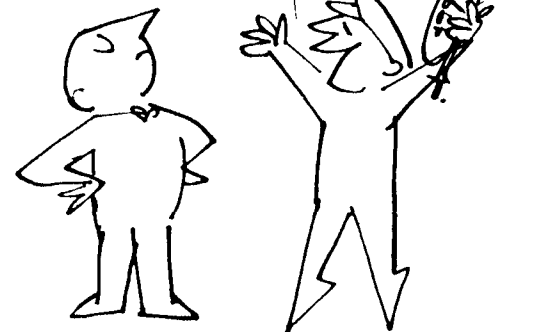
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BOOKS

choose between satisfying the experts and making his book intelligible to the ordinary reader. Dr Bennet, a professional member of the Society of Analytical Psychology and an old personal friend of Jung, has, probably wisely, chosen the second course. But, though he may be accused by some of those whom Jung himself used quizzically to call "the highbrows," of occasional over-simplification (especially in his interpretations of Jung's own dreams), most readers will appreciate this brief but highly readable presentation of one of the world's most remarkable men.

Of particular interest is the account which Dr Bennet gives of the uneasy relationship and final break between Jung and Freud. Jung himself never minimised his indebtedness to Freud, though when that first famous meeting between the two men took place in 1907—it lasted for thirteen hours—Jung was already well started in his career as what he called a "medical psychological scientist" as a result of his reading of Kant, Schopenhauer and, in particular, Krafft-Ebbing. Even that first meeting, though it left Freud enthusiastic about the younger man, carried the seeds of the final dissolution.

As Dr Bennet relates:

For Jung the meeting was a mixture of expectation and disappointment. He hoped for much, but seemed unable to get beyond the confines of Freud's narrow approach, his restricted perspective and concentration on tiny details, and his theoretical assumptions. According to Jung, the talk was protracted because he continued to question Freud, hoping to get beyond these limitations, and in particular Freud's insistence on the importance of the infantile sexual trauma as a settled, unalterable basis of his work.

For some years Jung, then in his early thirties, went along with his teacher, but in the end Freud's dogmatic insistence on the sexual energy of the libido as being at the root of everything proved too narrow a view for Jung to be able to accept. For him, Freud's libido was no more than one of the many aspects of life-energy motivating man: equally important were such other factors as hunger, the drive for power and the need for religion. In 1912 Jung published his book "The Psychology of the Unconscious" and it was this which led to the definitive split with Freud. For in it Jung expressed his broader view of the unconscious forces spelling human nature. (And later Jung was to dismiss the Freudian concept with the biting phrase, "The brain is viewed as an appendage of the genital glands.") In point of fact it was surely not only the clash of theories but almost equally the sharp divergence of their personalities that made it impossible for two such men to march permanently in step together: Freud, the super-sensitive, Jewish genius—on two occasions he fainted during animated discussions with his pupil—who, as Dr Bennet says, "laid unusual emphasis upon any subject he had thought deeply about, as though the mere fact that he had thought it out established its validity"; and Jung, with something of the Swiss peasant's unemotional and cautious attitude to theory of all kinds, coupled with a deep love of all the

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rich manifestations of humanity whether revealed in yoga, astrology, fairy tales, Zen Buddhism or even flying saucers. Once, when this reviewer visited Dr Jung at his home in Küsnacht-Zürich not long before his death in June this year, he related that, between the wars, he had on one occasion talked with a British archbishop about the possibility of one or two young Church of England priests being sent out to Switzerland to take a course of study with Jung. "But in the end," said Jung, "he decided not to send anybody. He was afraid I would destroy their faith. I felt the same myself when I first went to see Freud—but in the end, of course, it was I who destroyed his faith."

Dr Bennet's book contains an interesting series of letters between himself and Jung on "Aion," which is certainly his most "difficult" work, and also deals illuminatingly with the development of Jung's thought in the years before his death. Its appearance will be welcomed as a useful "curtain raiser" to the much more basic study of Jung's life and thought by his personal collaborator Aniela Jaffé, which is due to be published next year under the title "Memories, Dreams, Reflections."

Land of the Free?

The Presidency and Individual Liberties

By Richard P. Longaker.

Cornell University Press. London: Oxford University Press. 253 pages. 36s.

MR LONGAKER raises hopes by his title, and in his preface, which it was probably impossible to fill. He promises a study of "the constitutional obligation of the chief executive to protect individual liberty," a subject on which he considers existing commentary to be fragmentary, though he feels that the performance of the Supreme Court and of Congress in the field has been well covered.

It is surely not hair-splitting to point out that the problem of the Negro and his rights—his right to vote, his right to work, his right to go where the white man goes and sit where the white man sits, whether in buses, restaurants or schoolrooms—is not a problem of individual liberties at all. Discrimination based on colour and race, with which much of this book is concerned, is not discrimination against individuals but against groups.

Had he called his book "The Presidency and Civil Liberties" Mr Longaker would have been nearer the mark, would have raised fewer hopes of novelty and one reader at least would not have been disappointed at finding so little discussion of those areas in which the foreigner finds that the liberty of the individual in the Land of the Free is more circumscribed than it is in the democracies of western Europe. The only one of these subjects he treats at any length—and then not in relation to the presidency—is what is known as "The Right to

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Travel"—a euphemism for the State Department's freedom to make arbitrary decisions about the granting or withholding of passports. And his discussion of this problem is disappointingly tentative.

§ He is much more successful in his study of the loyalty and security programmes in three wars—two hot and one cold. He appreciates the shrewdness of Mr Roosevelt's appointment (after the period of hysteria in which the military had been able to get away with the Japanese-American relocation programme) of Mr Francis Biddle as Attorney-General to ensure that there would be no repetition of the excesses permitted, or even encouraged, by Woodrow Wilson in 1917 and 1918.

The chief value of this book lies in its demonstration that the President's attitude (as expressed in his public statements and his orders to the departments) is all important in creating the atmosphere in which laws can be enforced and administrative attempts to restrict liberty defeated. But it is political realities that determine these attitudes. The growth of the Negro vote in the big cities had more to do with the official opinions of the last three Presidents than any qualities in the men themselves which made them more liberal than, for example, Wilson.

The final impression is that Mr Longaker thought he had spotted a barrel that others had overlooked only to find that it was not so full as he had hoped and that he had to scrape the bottom to make his book.

Social Change in Africa

Becoming More Civilized: A Psychological Exploration

By Leonard W. Doob.

Yale University Press. London: Oxford University Press. 345 pages. 48s.

THIS is a book about social change among the "underdeveloped" peoples of Africa. To give him his due, however, Professor Doob became interested in "what happens to people when they become more civilized" long before the current academic boom in underdevelopment. He is a distinguished social psychologist and, needless to say, an American; for none but an American social scientist would be so humane, so hopeful, so curious about other peoples, and so peripatetic, intellectually no less than physically, as to undertake this kind of inquiry. Unfortunately for his readers, Dr Doob's omnivorous curiosity outruns his critical judgment; and clarity of thought is not his strong point. To take an instance at random, he wants to know why "the material aspects of more civilized societies appear more attractive than many of their nonmaterial values" to Africans. So he asked his informants to "comment upon the proposition, 'Life in heaven will be better than life on earth'"; and he is solemnly impressed because they often pleaded ignorance and "said most seriously,

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no one who has ever been there has returned to tell us." The book abounds in such banalities pursued with indefatigable innocence.

"Behaviour" is the key concept in Dr Doob's vocabulary. He is interested in motives, goals, values, and attitudes manifested in the processes by which members of tribal and other "backward" social groups acquire western civilised ways of living and thinking. His own observations are based on answers to elaborate questionnaires and on a variety of tests given to small numbers of accessible informants in various parts of Africa and Jamaica. His inferences and generalisations are backed up by reference to the extensive literature on acculturation accumulated with more zeal than rigour by American sociologists and anthropologists in the past thirty years. His main "index of acculturation" is the level of school education attained. His procedure is to state what he calls an hypothesis and then to "test" it against his own and other field data. A typical hypothesis offered is that "People changing centrally from old to new ways are likely to feel antagonistic towards traditional leaders who do not reveal similar changes." Confirmation for this is found in the incidence of different questionnaire responses among the groups interviewed. And so it continues.

If this book is a reliable guide to what psychological research can contribute to the understanding of the social changes now going on in Africa, one can only say that it is unpromising.

Dissenters

Two Early Political Associations

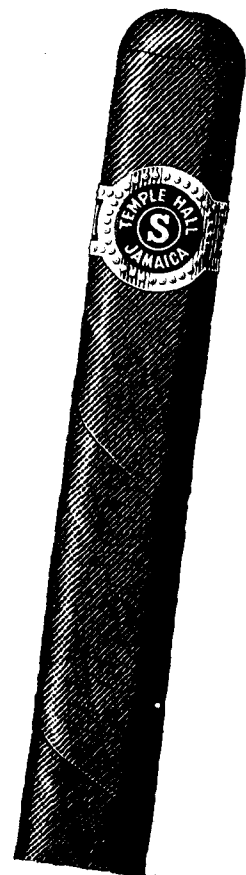
By N. C. Hunt.

Oxford University Press. 247 pages. 30s.

THAT the tranquillising of religious passions was an essential element in Walpole's political ascendancy was recognised by his contemporaries and has been accepted by subsequent historians. But while this has long been accepted in principle, the economic, fiscal and foreign policies of the period have hitherto always taken precedence in our books and the details of Walpole's religious policy have been comparatively neglected. Mr Hunt now sets out to fill this gap with a scholarly and detailed analysis of the political organisation and activity of the chief Protestant dissenters in the fifty years following the Toleration Act. His careful researches in the records of the Quakers and of the Presbyterians, Independents and Baptists establish firmly, what has long been accepted, that Walpole secured religious peace by skilful compromise, soothing the churchmen by maintaining the letter of the law and persuading the dissenters to be content with its practical modification and lax enforcement.

A generation ago this valuable but unexciting work would have been conveniently summarised in two or three learned articles.

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Unfortunately we live in times of literary as well as economic inflation. So Mr Hunt has expanded his researches into a book and sought to lend them excitement by exaggerated claims of their significance. On the one hand, unsupported, as Gibbon said of Voltaire, "by either fact or probability", he invests the dissenters' activities with importance for the future political and constitutional evolution of the country, while admitting their lack of success at the time. On the other hand, he magnifies such small political successes as they had by ignoring the wider political context in which they were achieved. Thus the story of the Quaker struggle to achieve the Affirmation Act of 1696 is told without reference to the peculiar circumstances of that year arising from the Assassination Plot.

In short, where Mr Hunt exercises his faculties as a scholar he is interesting and, apart from occasional special pleading, convincing; only when he indulges in political "prophesying" does he lose command. Such twaddling is better reserved for the ephemeral medium of the telly.

Nasser Close-up

The Boss

By Robert St. John.

Arthur Barker. 288 pages. 21s.

ALTHOUGH written in too consciously a popular style, this is an able biography of President Nasser. From indefatigable interviews with the president himself and many of his friends and his critics a wealth of unusual detail has been amassed. The Egyptian leader emerges from his impoverished, truculent boyhood, through an army career not specially marked for heroism, as having the desperate courage of his only one strong conviction: that "imperialism" must be destroyed and Egypt win back its dignity, and preserve it—at any cost.

The adventures of this one-track mind in the criss-cross tracks of inter-Arab and international politics are well narrated. They reveal an outlook expanding to each occasion and provide an interesting study in the development of today's forceful exponent of neutralist nationalism.

Raiders from the North

The Vikings

By Holger Arbman. Translated by Alan Binns.

Thames and Hudson. 212 pages. 30s.

MATERIALISTS of imagination, superb shipbuilders and seamen, the Vikings between 800 and 1,000 plundered, held up to ransom and conquered large areas of Anglo-Saxon England, Ireland, Russia and the Carolingian Empire. For a long time the sedentary, largely agrarian popu-

BOOKS

lations of western Europe's river valleys knew no protection, and many of their lords, who were not averse to looting themselves, exploited rather than resisted the raids. Professor Arbman's book describes the movements of the Viking fleets and armies, the conditions from which they sprang and the civilisation that grew up in their homelands, their trading posts and conquests during this period. A master in this field he has added a notable volume to the *Ancient Peoples and Places* series.

Professor Arbman addresses himself mainly to the archaeological evidence, and for the prehistory of the Norsemen there is indeed no other. With its help he suggests that not only the population of the Scandinavian countries but also their wealth had increased steadily before the period of the raids. The pirates who set out to sack the traffic centres of the Frankish empire were not driven to do so by poverty and overcrowding at home; their ships tempted them to seek a more profitable, if perhaps more dangerous, living than could be gained by farming alone.

Plunder, trade and settlement thus became the often interchangeable occupations of the Viking bands. Professor Arbman ends his survey with a chapter on their art and introduces his readers to the perplexities of stylistic comparison. The study of influences and the evolution of forms is here anything but barren for it reveals the troubled cultural and religious situation of these successful warriors and merchants. Christian emblems and heathen masks made uneasy companions, and imports from all over the world often paralysed rather than stimulated native traditions of craftsmanship. A set of excellent plates, figure-drawings and usable maps illustrates these themes, and it is a pity only that there are not quite enough of them: for instance, of the much-mentioned Mammen style not a single example appears. If this is a fault it also shows how well in all other respects this work fulfils its purpose in the series: to present "up-to-date archaeological information in clear and readable form." And there is a bibliography for those who want more.

OTHER BOOKS

THE CHALLENGE OF THE COMMON MARKET. By U. W. Kitzinger. Basil Blackwell. 159 pages. 10s. 6d.

Despite the growing output of books about European organisations, it is still rare for a book to be written in Britain exclusively about the common market. M. Deniau's "The Common Market," in translation, provides a French view. But it has been left to Mr Kitzinger, for six years an economist at the Council of Europe and now a Research Fellow of Nuffield College, Oxford, to turn aside from his work on a larger study of the European Community to produce a tract for the times. This pamphlet, as he modestly calls it, was written at great speed and its organisation bears some of the marks of this. All the same, it is a valuable simple guide to the Rome treaties and their origins, and to the challenge and problems they pose for Britain. At 10s. 6d. it is expensive for a paperback, but it fills a gap usefully. Brevity and speed of production

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have not marred the book's accuracy and general soundness.

Mr Kitzinger believes that Britain is right to try to join the common market. But he is not a fanatic and weighs arguments on both sides. At the same time he emphasises that British membership will only be good for all concerned if the British are inspired by understanding of the vast implications and by a desire to play a creative role in all the aspects of the new Europe.

POLITICAL AFRICA. By Ronald Segal. Stevens. 484 pages. 50s.

The first big wedge of information in this work of reference is about Mr Segal himself. Valuable space has also been taken up by over-doing the references to other relatively unimportant South African political personalities. Mr Segal's private opinions (which, it would seem, lie in the radical African camp) colour the items. All this apart, the book is a valuable source of information about parties and politicians throughout Africa; it is surprisingly accurate, reasonably full, and very well informed—100 parties and 400 politicians are described and discussed.

A HISTORY OF THE DEPARTMENT STORE. By John William Ferry. Macmillan Company, New York. 399 pages. 48s. 6d.

Department stores, the first examples of large-scale retailing, have pioneered the development of buying, merchandising, advertising and personnel practices in the retail field. Their growth is an important commentary on the latter progress of the industrial revolution and the rise of the middle classes. Their history could illuminate interesting questions of management structure, the emancipation of women, store engineering, patterns of urban living, and public taste.

This book therefore represents an opportunity missed, for despite its title most of it is merely a collection of thumbnail histories of individual department stores, many of them with merely local fame and no claim to more. Since all of them are in the English-speaking world, developments on the European continent from the time of Boucicaut onwards are ignored. Mr Ferry has been an enthusiast about his subject ever since, as a boy, he watched Selfridges being built. Only an enthusiast could have included these forty or so pictures of store exteriors, many of them better forgotten. Like many enthusiasts, he shows in his narrative little ability to distinguish significant facts from insignificant ones, and therefore he often bores us. Even the most colourful of the pioneers, such as Gordon Selfridge, William Whiteley or Spedan Lewis, fail to come to life in the medium of the barely diluted language of their own anniversary brochures; and to such revolutionary initiatives as those at Filene's of Boston, the method adopted does not make it possible to devote enough space to arouse our interest.

MONTHÉRY. The Story of the Paris Autodrome, 1924-1960. By William Boddy. Cassell. 189 pages. 25s.

This, the latest of Mr Boddy's contributions to motoring history, describes the races and record-breaking activities at the French circuit from the time of its construction to the present day. The book gives British readers the opportunity to learn about the intriguing French racing cars of the vintage era, such as the sleeve-valve Voisins and Panhards. It is well illustrated with photographs that show the changing fashion in racing cars.

INFORMATION AND INVESTMENT. By G. B. Richardson. Oxford University Press (1960).

In our review of this book, which appeared in our issue of July 29th, the author was criticised for never mentioning trade journals, market research, etc., and sources of information to business men. The review ought to have said that he hardly mentioned them.

THE ECONOMIST OCTOBER 7, 1961

AMERICAN SURVEY

Republicans Move Right

WASHINGTON, DC

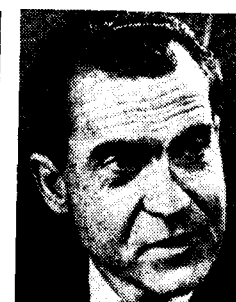
WHEN Republicans lost control of the White House last November after occupying it for eight years, it was generally assumed that they would suffer the fate common to American political parties when they are out of power—a series of destructive internal feuds. But in fact the Republicans showed remarkable solidarity in obstructing President Kennedy's programme during the session of Congress which has just ended and now they are similarly united in preparing for next year's congressional elections. This lack of disagreement is partly the result of their present lack of interest in the selection of a presidential candidate to oppose Mr Kennedy in 1964. To party officials the only three possibilities who are at all prominent all seem to be political liabilities. These three are Senator Goldwater of Arizona, the leader of the party's powerful right wing; Governor Nelson Rockefeller of New York, the favourite of the small but influential left wing; and Mr Richard Nixon, who holds the empty post of titular party leader by virtue of his nomination last year and falls somewhere between the Goldwater and Rockefeller poles. Last week Mr Nixon formally removed himself from presidential speculation—for the time being—by announcing that he will contest the Governorship of California in next year's election and expects if elected to serve the full term of four years.

But a more significant factor in the current solidarity among Republicans has been the party's shift to the right since Mr Kennedy's election. Republican members of Congress have found that it is easier to agree in opposing the social welfare legislation proposed by the Democrats than it was to get together in support of Mr Eisenhower's policies. These Congressmen admit that they will be more comfortable campaigning in next year's congressional election on a conservative anti-Kennedy platform than they were when they had to pay lip-service to a moderate Eisenhower programme. Certainly a conservative trend was inevitable as a by-product of the party's defeat. Ever since the great schism of 1912 when much of the party's left wing was lost permanently, Republican regulars have been a conservative lot and when, as now, there is no universally recognised party leader, either in the form of a President or a presidential candidate, these party regulars are in command.

The fact that for the past twenty years the party has seemed to espouse a more liberal ideology than its regulars do derives from the ability of two small but powerful groups—the eastern financial community and an allied band of professional politicians, also from the East—to control the quadrennial conventions at which the party chooses its presidential nominees. The financiers, whose cash is vital to the party, have insisted on candidates with an internationalist viewpoint. The professionals have insisted that no conservative can win a national election. Together, these groups kept the nomination from the late Senator Robert Taft, the middle-western idol of the party regulars, between 1940 and 1952; and it is by no means unlikely that these eastern Republicans will pull



Senator Goldwater



Mr Nixon



Governor Rockefeller

off their accustomed coup in 1964 and win the nomination for Mr Rockefeller or some other liberal Republican. Nearly 500 party regulars from 13 western states, meeting last weekend at the plush winter sports resort of Sun Valley, Idaho, agreed gloomily that Mr Rockefeller is the early front-runner for the nomination.

Nevertheless, there are signs that this time the conservative resurgence within the party may be more lasting and may extend into the next national convention. It is significant that the party is not returning to the orthodox but politically unmarketable domestic conservatism of Senator Taft. Mr Goldwater, the principal oracle of the new conservatism, has not repudiated Taftism, but he has shifted the emphasis from domestic to foreign affairs. Consequently, the Republican keynote in next year's congressional elections will be a call for a more militant, belligerent stand against the Soviet Union. Specifically, the Republicans are demanding that there should be no compromise on the issues of the cold war; that the attempt to reach an accord on disarmament should be given up; that nuclear tests in the atmosphere should be resumed at once; and that economic aid should be withdrawn from neutralist countries. At its most extreme, this approach calls for gradual disengagement of the United States from the United Nations and for a naval and air blockade against Cuba.

It is this shift from the domestic to the foreign scene that has made the new conservatism widely acceptable throughout the party. Even some moderate Republicans who favour a few of Mr Kennedy's domestic proposals believe that a latter-day return by the party to the nationalist sabre-rattling of Theodore Roosevelt, appealing to an American public frustrated by reverses in the incessant cold war, is the key to political victory today. It was no coincidence that both Mr Nixon and Mr Goldwater attacked the Administration's foreign policy and soft-pedalled domestic issues at the Sun Valley conference last weekend.

Moreover, the conservative revival within the party does not come from the prewar old guard but is essentially a movement of younger party members, many of whom look to Mr Goldwater for guidance. With a few notable exceptions, the most politically attractive and promising Republican politicians today are right-wingers. In fact, newly elected Republican members of Congress complain that the old line leadership of the party on Capitol Hill, typified by Senator Dirksen, conservative as it is, has not been aggressive enough in denouncing Mr Kennedy's stewardship of foreign affairs. The Young Republican organisation, which once

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.

seemed a forward outpost of liberalism, now adheres to undeviating conservatism.

This right-wing ferment has been stimulated by the mushroom growth during the last two or three years of reactionary pressure groups outside the party, including semi-secret organisations such as the John Birch Society, which contends that communist sympathizers dominate the State Department and the Central Intelligence Agency. The society's impact on the Republican party is indirect; the overlap between the party's extreme right wing and the Birchers means that many of the customary contributors to Republican campaign funds belong to the society. In California, for example, its members have cut off a substantial flow of money to Senator Kuchel, a moderate Republican who attacked the Birchers and is up for re-election next year. As a result he has been emphasising his conservative side of late, loudly declaring his unalterable opposition to the seating of Communist China in the United Nations.

Finally, scattered elections this year have been heartening to the conservatives. In their most impressive triumph, Mr John Tower, an inflexible disciple of Mr Goldwater, became the first Republican ever elected to the Senate from Texas; a right-wing Republican was elected to the South Carolina State Legislature, breaking a long-time Democratic monopoly over that body; and there have been encouraging results in Michigan and New York.

PERHAPS the most remarkable aspect of the conservative trend among Republicans is the almost complete repudiation of so many of Mr Eisenhower's policies, both foreign and domestic. In the recent Congress liberal Republicans whose support had been counted on by Mr Kennedy, veered sharply to the right. For example, Senator Margaret Chase Smith, whose vote has been considered sure by Democrats in the past, wound up by backing the President less than half of the time and during the final week of the session she delivered a blistering attack on his foreign policy.

Nor is the trend limited to the party's congressional wing. Even Mr Rockefeller has been drifting toward the right, denouncing the Administration's school and farm programmes and dealing the death blow to its ill-fated plan for long-term financing of foreign aid by reversing his previous support and urging Republican Congressmen to oppose it. Although Mr Rockefeller may turn to the left again in time for his campaign for re-election as Governor of New York next year, evidently he believes that a more conservative approach is needed if he is to have national success in his party; privately, Mr Goldwater has expressed surprise and pleasure over the present course followed by Mr Rockefeller. But Mr Rockefeller has far to go to convince the party regulars that he is no crypto-Democrat.

Mr Goldwater's problem is an opposite one but more difficult. Even some of his staunchest admirers admit that his tirades against trade unions and the social security system put him too far to the right to be electable. This would seem to point to another presidential bid by Mr Nixon as a compromise between the two extremes. But his uninspiring campaign last autumn disenchanted many of his former allies, and in any case he will have his hands full in California for the next year at least.

As a result, some Republicans are beginning to look around for a dark horse as their 1964 candidate, a man such as Mr George Romney, the president of the American Motors Corporation, who may run for Governor of Michigan in 1962. But the main topic of conversation in Republican circles at the moment is not presidential politics, but next year's elections when all 435 House seats and 36 of the Senate's 100 seats will be at stake. Republican leaders believe that they may recapture control of the House for the first time since 1952 and score substantial gains in the Senate. If their conservative campaign comes anywhere close to that goal, the impact on the presidential contest in 1964 will be profound.

Judging the Judges

PROBABLY nothing that the Kennedy Administration does in the domestic sphere will be of more long lasting importance than its choice of federal judges, most of whom sit for life. In his first few months in office it has fallen to Mr Kennedy to make more of these coveted appointments than any other President has made in a whole



Champion of Negro Rights.

four-year term: 115 at the last count, 73 of them as a result of the expansion of the federal judiciary by Congress early this year. Although the need for more judges has long been patent Congress refused to deal with the problem last year in the hope that the plums would fall to a Democratic, not a Republican, President. Tremendous political pressures are brought to bear as the choices are made, by Senators, who have a veto over appointments in their own states, by state political organisations and others. But apart from such pressures—which the President implied that he would ignore when he promised to choose the best qualified candidates—the sheer task of sifting over a thousand applicants has been monumental. Even now only 77 appointments have been sent to the Senate, most of them in the last six weeks of the session. Of these 60 have been confirmed; the rest will be given recess appointments. Three Republicans chosen by President Eisenhower and not yet confirmed were re-nominated and two confirmed, but the rest of the appointments have gone to Democrats. This is in line with a bad tradition. But by the usual standard—the ratings of the Bar Association's Standing Committee on the Federal Judiciary—the Administration has so far observed quite faithfully its promise to appoint only qualified Democrats. These ratings are known in the cases of 52 out of the 60 appointments which have been confirmed: 9 were judged exceptionally well qualified, 27 well qualified, 14 qualified and only 2 not qualified.

But to some degree judgment is still suspended. The Administration may, it is felt, have held back its most controversial appointments until Congress left Washington. There is trouble already over three of the candidates to whom recess appointments are promised. And there have been many rumours that consideration is being given to Mr Frank Morissey, a judge in Boston's municipal court, who has been helpful to several members of the Kennedy family but whose other qualifications are put low in legal circles. In one respect, however, the new Administration has made history: it is the first to appoint a Negro to a life-time post on the federal bench. One of the two so far chosen is Mr Thurgood Marshall, the able chief counsel of the National Association for the Advancement of Coloured People, who has been fighting for Negro rights for over twenty years; he has yet to be confirmed.

Fewer Arms for Armageddon

WASHINGTON, DC

"THE weapons of war must be abolished before they abolish us," President Kennedy told the United Nations General Assembly and even the Soviet press forbore to jeer. Mr William Foster, who helped to draft the programme for world disarmament that the United States introduced after Mr Kennedy's speech, has been appointed director of the new semi-autonomous United States



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Arms Control and Disarmament Agency, with a rank equivalent to that of an Under Secretary of State. Mr Kennedy is said to have been shocked at the low priority given to planning for disarmament by his predecessor and he regards the new agency as a symbol of the importance which the United States attaches to the reduction of arms and an earnest of American determination to continue to work energetically toward this goal. The \$2 million provided for disarmament planning in the present fiscal year, compared with the \$2.9 million which was requested, suggests that Congress is more sceptical of the possibility of real progress than the President, but both parties were overwhelmingly in favour of setting up the agency.

Mr Foster is a Republican, which adds to the bipartisan flavour, and both the United States and the Soviet Union are now pledged to the principle of "general and complete disarmament." It would, however, be premature to conclude that the millennium rather than Armageddon is just around the corner. The American plan calls for inspection at each stage of the arms that are being retained as well as the arms brought to the bonfire. But Russia regards this as a scheme to spy on the Soviet Union and is insisting that the international inspectors should have access only to the weapons to be destroyed, not to those that remain (or are being manufactured), at least until total disarmament is achieved. The Americans, with British approval, say that under the Soviet disarmament plan the arms destroyed under scrutiny might be replaced (and exceeded) by new weapons. Furthermore, the Americans want an international disarmament organisation consisting of "all the major powers" (which could include China) as permanent members but without vetoes and other states chosen on a rotating basis. The Russians, however, have hitherto held out for a disarmament "troika," each group with power to veto.

The United States wants to prevent west Germany as well as China becoming members of the world's nuclear club and is offering to dismantle "certain bases" wherever they are; these might include some of the foreign bases for whose elimination the Russians never cease to clamour. It is just possible that the Soviet Union can be induced to think a little more kindly of the American plan, if more emphasis is laid on such offers and also if the support of the neutrals can be enlisted. But obviously a huge gap still separates the two major powers. This should not be the cause of utter despair. It was once deemed laughable that the barons of England would ever give up their practice of waging private wars. The trouble is, as Mr Kennedy pointed out, that the world may now have only months or weeks, not centuries or decades, in which to make up its mind whether to go on living or to commit suicide.

House Out of Control

WASHINGTON, DC

THE longest and one of the dullest sessions of Congress in ten years ended in undignified confusion because the House of Representatives, which had been shying and balking for months, finally took the bit between its teeth and trampled the Senate underfoot. This was typical of the 1961 session of Congress; the Senate, which normally has ideas of its own, has given the President an easy ride while the House has had to be whipped or persuaded and even so has bucked him off several times. And next year it may be yet more difficult to control, especially if the Speaker, Mr Rayburn, either decides to retire or comes back to Washington with his authority impaired by his age and illness—although some maintain that if he had had more sympathy for the President's liberal programmes they would have done better this time.

Next year the members of the House will be racing towards an election and will be even more ready than they have been this year to pander to the country's lack of enthusiasm for the

President's policies—unless he has succeeded by then in overcoming that lack. The House, all of whose members faced the electorate last year, reflects the narrowness of Mr Kennedy's victory then, and the doubts which conservatives of both parties feel about him, much more closely than does the Senate, whose members serve six-year terms with only a third having been elected in 1960 and only another third coming up in 1962.

This year the reactionary Democrats who are in charge of most of the Senate committees do not seem to have felt seriously challenged by Mr Kennedy's proposals, partly because these were unexpectedly moderate, partly because with the growing urbanisation of the country even southern Senators must pay more attention than they used to do to the welfare programmes which appeal to city voters. Thus such interest as has attached to the Legislature during this session—and the new President has constantly overshadowed the new Congress—has been concentrated on the House. But perhaps the main reason for this is that the Senate no longer contains the dominating and dramatic personalities—Vandenberg, Taft, McCarran—that it used to have or the covey of potential Presidents who were on display there in 1960.

Growing Pains in Electronics—1

FROM A CORRESPONDENT IN NEW YORK

ALTHOUGH the electronics business is one of the biggest and fastest growing industries in the United States and its volume of sales should continue to increase, most electronics companies are suffering the novel and chastening experience of shrinking and, in some cases, disappearing profits. The industry, which now ranks after automobiles and steel in total sales, is a potpourri that includes both the manufacturers of semi-conductor components and makers of end products ranging from television sets and data processing equipment to weapons systems. The booming sales of electronic products (which have increased from \$2.6 billion in 1950 to an estimated \$10.2 billion this year) and the profits that accrued to the pioneers have stimulated an enormous expansion of new firms and made it relatively easy for them to acquire the necessary finance; there are over 150 manufacturers of transistors alone.

But now capacity in many areas is running ahead of demand, while in others—such as the computer field—competition is so intense that only the giant International Business Machines Corporation is able to prosper. Today the growth of total sales is less than 10 per cent a year, compared with an annual rise of 15 per cent a few years ago. Hardest hit have been the producers of semi-conductors who have been buffeted by increased competition, both foreign and domestic. This has led to big reductions in prices—those of transistors have been cut in half during the past two years—and to a severe narrowing of profit margins. The shrinkage in earnings is by no means confined to the makers of components. Although IBM and a few other companies have managed to maintain a commendable rate of growth in sales and profits, a great many of the firms that once were regarded by Wall Street as among the nation's most glamorous growth companies are now standing still. Both in the industry and outside it there is talk of a shake-out of the weakest companies, to be followed by a battle for survival among the strong.

The shake-out has in fact begun. In the last few months a number of smaller firms have merged or sold out to other companies and some larger ones have been affected: the Columbia Broadcasting System, Inc. has decided to get out of the electronics industry completely while the Ford Motor Company is getting further in through its acquisition of Philco Corporation, which has a substantial stake in transistors and communications systems. New companies are still being created but at a slower pace, partly

because investors are showing less eagerness to risk their capital in new ventures, and partly because the required level of sophistication in technology—or what the industry calls the “state of the art”—has risen and this has made entry into the field more difficult. In the early, more primitive days of the electronics industry, it did not take much more than a group of scientists and work-space to win a defence contract; that was an era of continual technological break-throughs, which proved highly rewarding to many firms operating on a shoestring.

Today the services take even more of the industry's products—about a half, by value, a proportion which worries many manufacturers—but the growing complexity of rocketry and communications and weapons systems demands a greater degree of reliability and much more intricate equipment; these have increased the cost both of research and of controls over quality. The time needed to fulfil contracts has been lengthening, so that government outlays have slowed down substantially even though planned expenditures are rising; as a result, the smaller companies, which depend on prompt payments, have been pinched. The introduction of new techniques in manufacturing and the progress made in technology have given an edge, when contracts are at stake, to the big integrated companies, which possess both scientific brainpower and capital. But with the slower growth of sales the cost of research and development is a burden to even the richest firms. The Sperry Rand Corporation has distributed a stock dividend to conserve cash and even IBM is not immune; after announcing that its mammoth Stretch computer failed to meet design specifications, it cut the price by 35 per cent.

THE industry has been slow to make the necessary adjustments, in the hope that the premium prices it once enjoyed, and which enabled it to recoup research expenses practically overnight, would return once some of the weaker firms were eliminated. In the transistor business, at least, this is an unlikely prospect, for the users of components are now determined to get quality items cheaply. The fact is that manufacturers of transistors have increased their production, with the aid of automation, even when this has meant disposing of their output below cost. Similarly, substantial sums are still being spent on projects that become obsolete even before they produce anything to sell, a carry-over from the days when any research promised profits.

Firms which have been dependent on a single line of products are striving to diversify, and it is clear that almost every electronics company is anxious to maintain its status as a growth enterprise, for members of the managements generally own shares—or options to buy shares—whose value can be affected materially by a shift in Wall Street's opinion. Moreover, companies whose shares sell at the high prices that are accorded to growth stocks have an advantage in raising additional funds and in attracting new talent; they also do better if they wish to acquire other firms or sell out themselves. But Wall Street has been making a thorough reappraisal of electronics companies and has narrowed down the list of potential survivors to a score of major companies which are engaged in a broad line of civilian and military electronics work and which should be able to grow with the refinement of the art.

Given the intense competition and the increasing frequency of losses it is surprising that more companies have not surrendered. The explanation seems to be that they have been protected, up until now, by the ease of raising capital from a public all too willing to believe that any new electronics firm may become another IBM. The small manufacturers of components, whose overhead costs are low, have managed to stay alive, at least temporarily, by cutting prices. The hope in the transistor industry is that these big reductions in price will stimulate the opening of new mass markets—and increase the number of uses for their products—much faster than had been expected. If, for example, transistors came into con-

siderable use in motor-cars and household appliances, present productive capacity would not be excessive.

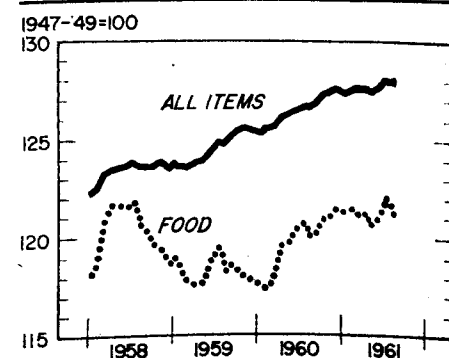
But the probability is that the days of the small manufacturers are numbered while the major makers of components will be exposed both to sudden changes in defence planning and to the ups and downs of the business cycle. There will always be room, of course, for the company engaged in esoteric technological fields or for one that is able to achieve a break-through, but these are likely to be the exceptions. The prospect is that the large diversified producers will be the chief beneficiaries of the growing amount of money being spent on electronics and even in their case it is now recognised that, while large expenditures on research are a prerequisite to survival, such spending is no guarantee of profits.

Capital Gains—

THE constitutional position of the District of Columbia, the seat of the federal government, a separate entity though not a sovereign state like the other components of the Union, has long been as irritating to its 700,000 residents as it is unique. They send no representatives to either body of Congress; they have not even been allowed to vote in presidential elections. But this last grievance of Washingtonians has just been removed. On September 25th Congress finally approved a Bill, made possible by the ratification last March of the 23rd Amendment to the Constitution, which sets up the machinery of voting in presidential elections. Republican and Democratic party leaders got down immediately to the business of organising for the 1964 contest and predicting that their side would win.

The essential provisions of the Act are unexciting. They are the results of compromises between a liberal Senate and a conservative House; between those who want as many people as possible to vote, and those who fear too wide a franchise. Little account is taken of the exceptionally fluid nature of the capital's society. Voters must prove that they have lived in Washington for at least a year before election day; must re-register in every election year and must be at least 21 years old. Absentee registration is to be restricted severely, though absentee voting is not. The names of the presidential and vice presidential candidates will be printed on the ballot papers, rather than those of the electors who are technically being chosen; and the electors will be required to swear that they will use their votes in the electoral college only in support of their party's candidates. Such provisions accurately reflect Congress's cautious approach. Some members were not so nervous, but they failed to muster majorities in favour of such ideas as a minimum voting age of 18 (supported by the Senate District Committee, the District Commissioners, and the President) and a mere 90-day residential qualification (backed by the President). The Act emerged looking no more and no less progressive than the laws in the 35 states which require a year's residence.

One other detail deserves comment. The inclusion of 3 representatives of the District of Columbia in the electoral college raises its numbers to 538, which makes it mathematically possible for a



CONSUMER PRICES

The cost of living fell slightly in August, mainly because of a seasonal decline in the price of fresh fruit and vegetables. In the first eight months of the year prices to consumers have risen by only 0.5 per cent, less than in any comparable period since 1955, but, with the economic recovery, this pause may end next year.



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deadlock to occur between two evenly-balanced presidential candidates. In such a case the election would be thrown into the House of Representatives. In view of Mr Kennedy's very narrow win in the popular vote over Mr Nixon (though he had a clear electoral majority) it is not, perhaps, certain that the political likelihood of such a thing ever happening can be dismissed as negligible.

Capital Losses

CONGRESS is not only the parliament of the United States but the town council of Washington, DC, a town council in whose election the townspeople play no part. As a result legislation to deal with the capital's problems tends to be dealt with in a hurry at the end of sessions, when members of Congress are tired and anxious to get away at almost any cost. Earlier this year President Kennedy proposed to give Washington self-government, but the project was shelved at once: southern Congressmen are not anxious to hand over the capital to the Negroes who form the greater part of its population. Now has come the reckoning—for Washington. Although Congress has approved a \$270 million budget for the city, and although it has agreed on a federal grant, larger than ever before, of \$32.7 million, to make up for at least part of the revenue lost to the city from the large amount of untaxable federal property in it, the legislators failed to agree on how to raise the additional money needed this year.

The blame for the resultant \$5 million deficit belongs partly to the Representatives in the House who freely confessed, after they had voted, that they did not know what it was all about; but it also belongs to Mr McMillan, the chairman of the House District Committee who, although he agreed to a general sales tax, turned down a proposed increase in the sales taxes on alcohol and tobacco (he comes from the tobacco-growing state of South Carolina). A House-Senate conference therefore adopted as a substitute Senator Wayne Morse's suggestion that the District be given instead \$5 million under the "impacted areas" programme, which assists communities whose schools suffer from overcrowding as a result of the presence of the children of federal personnel. But the House turned this proposal down twice, so that the whole Bill has failed to get through. The District Commissioners are left with the cold comfort that the already-authorised budget contains a provision that, in the event of shortage of funds, their schools programme may be curtailed. They have also to deal with the fact that a hold-up in the sale of some land means that their actual deficit will stand at \$7 million.

According to a recent report, Washington's schools are already falling into disrepair from lack of funds to maintain them. Now four school building projects will have to be abandoned. Even day-to-day running expenses may have to be curtailed drastically. Unemployment assistance, road programmes and urban redevelopment are also expected to suffer from the House's mismanagement at this session. It is no wonder that the *Washington Post*, welcoming the partial enfranchisement of the capital, gave as one reason for rejoicing the possibility that, now that presidential candidates will have to bid for the city's votes, there may grow up "wider concern about the District's continuing demands for home rule."

Power to Whose Elbow?

IN the long-standing battle over public or private generation and transmission of electricity victories have been won by both sides in this session of Congress. On September 13th the House of Representatives threw out, for the third time, a proposal backed by the White House and Senate which would have empowered the Atomic Energy Commission to install an electric generator to use the waste heat produced by its plutonium plant at Hanford,

Washington. The installation would have cost \$58 million, substantially less than the \$95 million which was asked for originally, when it was hoped that two generators at Hanford would be approved. The cut in the scale of the project was the work of a House-Senate conference committee which hoped, by this means, and by promising that the power produced would be used only by the AEC at Hanford, to make the measure acceptable. To no avail; the House vote which condemned the plan at least until next year was larger than either of the two earlier ones. The opposition's chief argument seems to have been that one generator leads to another and that the government should not be allowed to use energy derived from the production of nuclear weapons to compete with private industry. Such a prospect dismayed members of Congress who dislike all encroachments on the private domain as well as representatives of those coal and oil producing states which stand to lose markets.

This defeat for the "creeping socialists" took place on the same day as their victory in the matter of the construction of 2,000 miles of line to transmit electricity from the government-built Colorado river complex of dams and reservoirs. Private interests wanted this plum themselves and feared that federal construction might set a precedent for the country-wide electric grid which is both feasible and desirable. But they failed to stop the federal Colorado project because it was obviously cheaper than anything private enterprise could put forward, although a Senate committee has tried to delay action on the most contested part of the scheme until next February at least.

The private electricity firms' newest move is to show that they are prepared to build the whole network of transmission lines which is needed. The Edison Electric Institute has announced plans by private companies to build over \$7 billion worth of them in the next ten years, a scheme which, it is claimed, will "eliminate any need for waste of the taxpayer's money to build federally owned transmission lines." But the Secretary of the Interior has replied to these fighting words by suggesting that "the logical next step is a co-operative industry-governmental effort" to develop the interconnection of regions and promote pooling of electric power though, in his view, the federal authority must exercise ultimate control.

61 in '61

SUNDAY, October 1st, was the day when Mr Roger Maris went to glory. When he hit his 61st home run of this baseball season, during its last day of league games, he entered baseball's Valhalla. No one has done such a thing before in the history of baseball, although Babe Ruth's record of 60 runs in 154 games achieved in 1927 still stands (it took Mr Maris 162 games to surpass the earlier hero's total). Mr Maris is now sure of being a fairly rich man for the rest of his days by lending his name to advertisers and he can have another wallop at the record next season. His team, the New York Yankees, holds the championship of the American League, and can now hope, by beating the Cincinnati Reds, to win the World Series crown of which the Pittsburgh Pirates deprived them last year. The young man who caught Mr Maris's ball when it hit the crowd is happy too—he will get \$5,000 for it from a devoted fan, on condition he restores it to the slugger. Even the pitcher who sent the ball down to Mr Maris must be happy: he has immortality of a kind himself; Mr Maris has been kinder about him than he has about many other pitchers ("he was man enough to pitch to me and to get me out"); and who would not want to be the man to give a hero his immortality? But perhaps the American public is less happy, since it is now left with nothing but the World Series, which began on Wednesday, to stop it worrying excessively about Berlin, as on the whole (thanks to Mr Maris and a fellow batter of genius, Mr Mickey Mantle) it has managed not to do so far.

Musical Chairs in Congress

THE statesmen who redrew the map of Europe at Versailles would have understood the anguish of the states which are now forced, by the census of 1960, to give up some of their Representatives in Washington. Nine states, which have grown more rapidly than the average since 1950—like Florida and California—have a delightful dividend. But in sixteen others the axe must fall somewhere. Hopes have now vanished that Congress will enlarge the House of Representatives, which is too large and unwieldy already.

When one party is in control of the State Legislature and the Governorship the axe can be used to eliminate Congressmen of the opposing party (as the Democrats in North Carolina are trying to eliminate Mr Jonas, the state's lone Republican Representative). But when control is divided, no agreement may be possible and then, under the law, all candidates for the House of Representatives must run "at large" and not for specific congressional districts. A failure to redistrict in states which are gaining Representatives means only that the candidates for the new seats have to run at large.

In July *Congressional Quarterly*, the unofficial but authoritative periodical which deals with congressional affairs, totted up the probable gains and losses as a result of redistricting and concluded that on balance the Republicans might gain about five seats—a relatively trifling matter in view of the Democrats' large majority at present. But the more seats which must be contested at large, the harder it is to forecast the results. All the established political landmarks are swept away and if there is a strong tide running in favour of one party a state whose delegation is divided normally between the two may end up entirely in one camp. This gamble is more tempting for political bosses than for incumbents whose political lives are at stake.

Four states which are losing Representatives have failed to redistrict so far: Pennsylvania, Illinois, Minnesota and Massachusetts. All are vigorous two-party states; in all four the Legislature has adjourned without passing reapportionment legislation; and in all but Massachusetts action at a special session is needed if candidates are not to run at large.

Pennsylvania, with 27 seats (down from 30) and Illinois with 24 (down from 25) are the really big question marks. In each a divided Legislature seems to have faced a principal stumbling-block in the reluctance of the big Democratic city machines (in Chicago and Philadelphia) to give up the Representatives to which they are no longer entitled by their dwindling population. In Minnesota, whose 9 seats fall to 8, the conservative Senate was determined to redistrict at the expense of a Democratic-Farmer-Labour man; the liberal Assembly arranged things the other way round. In Massachusetts the possibility of a deadlock arises because the Governor is a Republican while the Legislature is Democratic.

The most curious and instructive case,

however, is that of Alabama, a state whose Democratic label covers deep factional feuds, particularly between the backward rural "Black Belt" and the modern city of Birmingham. Alabama is no exception to the rule that in most states the rural areas are already over-represented, both in Congress and in the State Legislature; this is the reason why the House of Representatives is so conservative and so out of touch with the modern world. (The first case being heard by the Supreme Court at its present session is one brought by city-dwellers in Tennessee, who are asking the courts to do something they have always refused to do—force reapportionment upon a State Legislature.)

"As Your Representative, I Promise To Continue Our Fight Against Redistricting"



Faced with the loss of one of Alabama's 9 Representatives, legislators from the Black Belt forced through a Bill which would have solved the problem by dividing Jefferson County—the most populous in the state and one which contains Birmingham, the biggest city—into four pieces and adding these to surrounding rural districts. This would have deprived three-quarters of a million people of their collective voice in Congress.

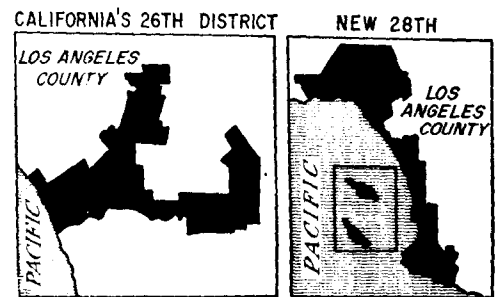
Understandably the Governor vetoed the measure. The session ended before the veto could be over-ridden and it looked as though all candidates would have to run at large. This might well have meant the defeat of some outstandingly good incumbents and the loss of the seniority in Congress which they have built up—no small consideration to a state. In a special session last month the Legislature therefore adopted the Governor's plan for a "double" primary (the Democratic nomination, not the election, is decisive in this state). Nominees will be chosen in each of the present 9 districts and then there will be a run-off to determine which is to lose his seat in this game of musical chairs.

This tale illustrates how desperately incumbents will fight to avoid standing at large,

with all the extra cost and risk this entails. Alabama's example suggests that other states at present deadlocked—Pennsylvania in particular—will somehow solve their problems before it is too late for the 1962 elections. Arkansas has just passed a second redistricting measure after its first unpopular attempt was thrown into abeyance by a petition for a referendum.

Of the redistricting which has taken place this year the most significant is that in California, which provides a good demonstration of the techniques used when one party is in full control. California gains the largest number of new Representatives—its delegation is to rise from 30 to 38 to reflect the 48.5 per cent increase in its population since 1950—and the Democrats have done their best, by altering boundaries and herding the Republicans together, to ensure that all eight new Representatives are Democratic. At present there are 16 Democrats and 14 Republicans from California in the House.

At the same time that it redrew the boundaries of congressional districts the State Legislature remapped the State Assembly districts to maximise the number of Democrats at Sacramento, the state capital. The Republicans have complained bitterly that the effect is virtually to wipe out the two-party system in California. But they seem to have abandoned the idea of seeking a referendum to challenge the legislation. One reason is that a number of Republican Assemblymen were persuaded, by the offer of safely Republican seats, to collaborate with the Democrats. Another is that a referendum is costly and, unfortunately, a dry subject with which to stir up a flood of popular protest—though the trick has been brought off in Maryland and Arkansas. Finally, the Republicans are likely to retain at least a third of the seats in the State Assembly, enough to kill a Democratic budget or uphold the veto of a Republican Governor.

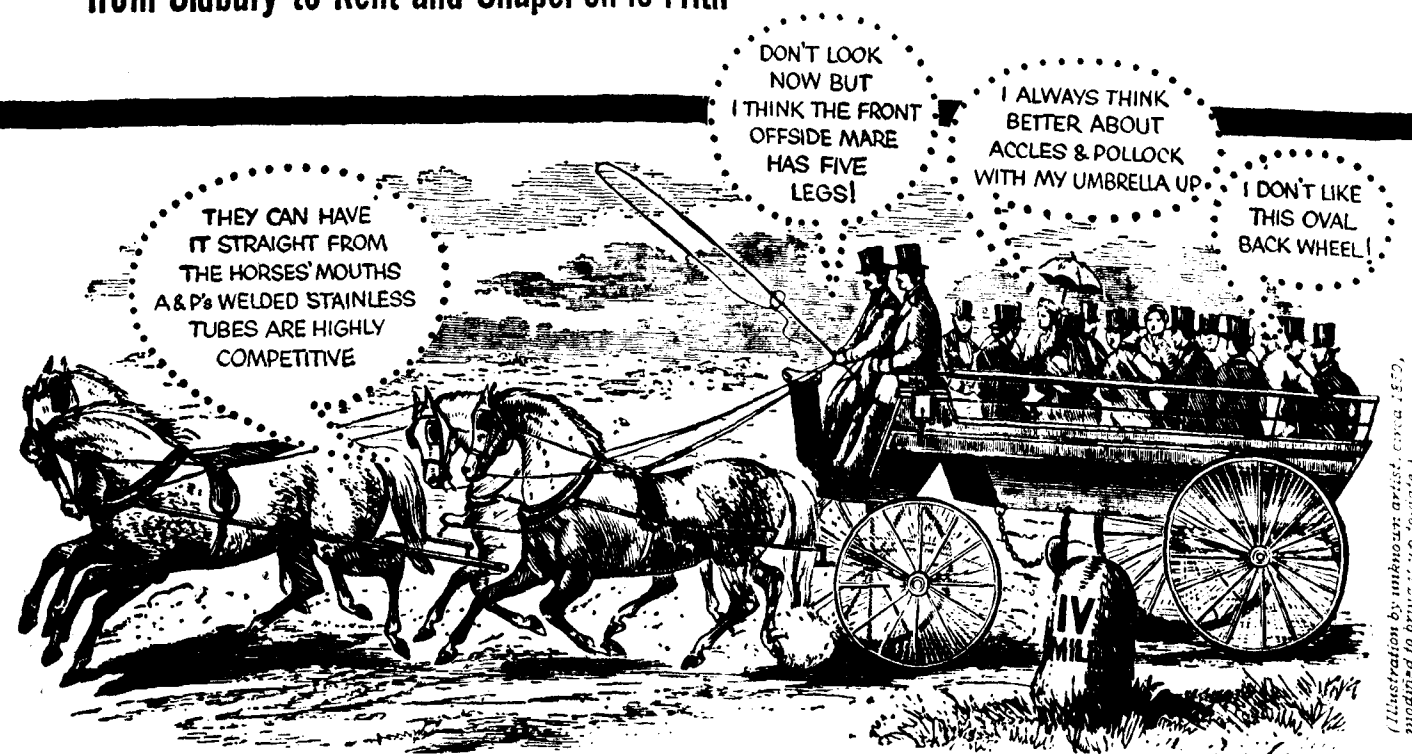


Source: Congressional Quarterly Inc.

The Democrats, for their part, insist that this year's "gerrymandering" is not as bad as that carried out by the Republicans in 1951 when they were the majority party. The drawing shows that the technique of crowding members of the minority party into an ungainly district—as the Republicans did in the 26th District in 1951 and the Democrats have done this year in drawing the new 28th district—is common to both. Republicans will have to draw what comfort they can from the reflection that Republican redistricting did not prevent the Democrats from turning the political tables in the space of ten years.

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THE WORLD OVERSEAS

Nasser Battles On

FROM OUR CORRESPONDENT IN THE MIDDLE EAST

PRESIDENT NASSER'S unheralded speech at Cairo university on Monday, his second major pronouncement since the Syrian revolt broke out, was both a firm restatement of his belief in socialism and a declaration of war, without however the use of force, against Syrian separatism and its allies. Some excuse is seen for Persia and Turkey, the former because there are no diplomatic relations between Cairo and Teheran, the latter because of its long common border with Syria. Guatemala's hasty recognition of the revolutionary regime in Damascus is regarded by some as a mildly farcical irrelevancy, by others as a kite flown by the United States, since Guatemala is commonly regarded as a special preserve of the Central Intelligence Agency. But no excuses whatever are found for the action of King Hussein, which is contrasted bitterly with the friendly messages he sent to President Nasser earlier this year asking for the normalisation of relations between Cairo and Amman. The tone of President Nasser's attack, and that of the propaganda apparatus supporting him, leaves no doubt that every effort will be made, short of actual military force, to restore the authority of Cairo in Damascus and to bring down King Hussein as well.

Reports from Syria itself suggest that there is calm throughout the country. It is reported in Cairo that a secret transmitter broadcasting in favour of union has been traced to the Aleppo area, but there is no confirmation from any non-Egyptian source. Former supporters of President Nasser, who were undoubtedly numerous in Syria up to the eve of the revolt, cannot have vanished into thin air; but in view of the new government's determined attitude they are lying low. The best known of them, Colonel Sarraj, is again under lock and key after a brief escape from house arrest.

The Egyptians expelled from Syria, mostly soldiers, doctors, school teachers and engineers, are still crossing into Lebanon at a rate of many hundreds a day. This massive influx has caused the Lebanese authorities considerable administrative difficulties. The Beirut government has asked Damascus not to send truckloads by night because it is impossible to improvise adequate accommodation at short notice. Repatriates are being housed mostly in barracks and university buildings but a good many are being taken in by Lebanese friends and sympathisers.

The most noticeable feature of Cairo this week is the astonishing ignorance of the course of events in Syria. The only source of information appears to be news put out by Damascus radio, and this is supplemented by wild rumours with the usual wishful slant which are dutifully given prominence by the Cairo press. Passengers arriving at Cairo airport from Beirut are pounced upon by officials and others eager for any scrap of information about events in Damascus. Behind this thirst for news, it is easy to detect a sense of shock and mortification. While hoping against hope, and busily spreading rumours, such as the alleged murder of Dr Kuzbari on Tuesday, Egyptian officials borrow foreign newspapers from visitors with an impatience which suggests considerable scepticism of the reports put out by their own press.

The problem of Syria is now being shifted to an international level by Syrian requests for recognition and the Egyptians' determination to thwart this by all the means in their power. Tunisia plunged in with a proposal that the Arab League should be convened to discuss the Syrian revolt, but this was quickly countered

by statements from Cairo that since this is an internal affair concerning only the United Arab Republic the Arab League has no competence to deal with it except at the instance of the UAR government. Tunisia later withdrew its proposal, mainly because of the desperate confusion within the league secretariat itself.

It is difficult to see what the Arab League can do about the Syrian revolt, since that factious body is more than ever at sixes and sevens. Iraq is maintaining its boycott in protest against the league's acceptance of Kuwait as a member. Now that Cairo has broken off diplomatic relations with Amman, it is inconceivable that King Hussein would send a representative to the league's headquarters in Cairo; and the government of the UAR will anyway probably refuse to discuss the matter. The confusion inside the league secretariat was shown up by the fact that while the secretary general took note of Tunisia's proposal and asked the other Arab states when a meeting to discuss it would be convenient, his principal assistant came out with a strong statement supporting the Egyptian view that the Syrian revolt has nothing to do with the league.

The recognition of the revolutionary regime in Damascus also poses difficult problems for the western powers. With the exception of France, their policy in the past three years has been a painful one of establishing relations of confidence with President Nasser. Progress has been appallingly slow and western recognition of the new Syrian regime now would destroy much of the good work that has been done. The action already taken by two powers belonging to the Central Treaty Organisation and by western-supported Jordan and Guatemala has already aroused an acute suspicion of western complicity in the Syrian revolt, which has been stated vigorously by President Nasser himself.

There are some who argue that President Nasser's actions in Africa and in partnership with other non-aligned powers have already killed any hope of reconciliation between Cairo and the West and that recognition of the Damascus government would therefore have little bearing on the situation for better or worse. This is still a minority view among western officials in this region, but there is also a practical difficulty which may force the hands of the western powers. If Dr Kuzbari's government, as now seems likely, is capable of maintaining effective control over all Syria, and if it respects the country's international agreements, there will be little legal justification for withholding recognition. If action were taken to recognise Syria, the West must expect a spate of bitter denunciations from Cairo together with an increasingly pro-communist leaning by the UAR government. The real problem western statesmen is for how much that really matters.

Slow Time in Bonn

FROM OUR BONN CORRESPONDENT

SENATOR FULBRIGHT'S remark at Westminster last week that Germany was a fledgling democracy, not yet ready for the role of leadership in the non-communist world, has caused little if any offence in the Federal Republic. This may be because the confused and scarcely dignified striving after office that has been

exciting the parliamentary parties since September 17th makes the truth of the senator's statements too obvious to challenge. The new Bundestag, in which Dr Adenauer's party will no longer command an absolute majority, is due to meet on October 17th, and its first major business will be to elect a Chancellor. But on Tuesday, twenty-four hours after conferring with Dr Adenauer, the chairman of the Free Democrats, who hold the balance of power, reminded the Foreign Press Association in Bonn that, while the constitution insisted on a meeting of the Bundestag within thirty days of the general election, it did not impose any time limit for the election of a Chancellor and the formation of a government. In the circumstances he, Herr Mende, expected the negotiations for setting up a coalition government to continue until the end of the month. They would be long, difficult, and tedious. There would be "scurrilous headlines." But the retiring government could continue to act in the meantime without any harm being done, either at home or abroad.

No harm at all? Seen in a wider German setting, the collective and individual pettiness of much of the coalition manoeuvring in Bonn looks all the more egregious. In Washington and Moscow decisions are ripening that are likely to disappoint the broad national hopes infusing Dr Adenauer's hitherto undeviating and unrepentant foreign policy. In the garrisons of the Federal Republic this week, the ten-year-old armed forces reached their prescribed peacetime strength of 360,000 men. The federal statistical office at Wiesbaden reported that altogether 3.3 million persons had fled from east to west Germany between 1950 and the end of 1960, and another 190,000 between January 1st and August 31st this year. In east Berlin this weekend, the undaunted east German regime is celebrating its twelfth anniversary, with Mr Mikoyan and Marshal Koniev among the guests of honour. "The victor," one of the anniversary slogans runs, "will not be Strauss, the corrupter of the nation. The victor will be Walter Ulbricht." And in *Neues Deutschland* Marshal Yermolenko, commander-in-chief of the Soviet forces at Stalingrad, has written an article for the occasion recalling that Mr Khrushchev and Herr Ulbricht took part in the battle of Stalingrad "shoulder to shoulder." Simultaneously it has been announced that some 220,000 members of the state-run "Free German Youth" have volunteered since August 13th for service in the people's army. In west Berlin the first 2,000 members of the new citizen's militia were sworn in on September 27th.

It would be reassuring in these sombre circumstances to see emerging some proven democratic statesmen of style and stature, qualified to bring west Germany safely through the confusing perils and temptations of the next few years. Unhappily the coalition scrimmage in Bonn is enhancing nobody's prestige. Dr Adenauer himself seems unshakably resolved to outstay his welcome in public life. It is generally—and fairly—interpreted that the vote of September 17th showed that a majority in the country wanted to see an end both of one-party domination and of 85-year-old Dr Adenauer's long reign. Several influential political commentators have since suggested that Dr Adenauer should take the hint and retire with dignity while he still can. Had not the Free Democrats proclaimed quite so truculently and so soon after the election that they would not serve in a government headed by Dr Adenauer, they would have found more support among the Christian Democrats. As it is, the Christian Democratic ranks have stiffened against alien dictation, and Dr Adenauer is turning this natural touchiness to his own advantage.

It is being put about by some of his supporters that Dr Adenauer, seeing cheerless days ahead, nobly wishes to remain in office in order that he and not his successor shall be the object of any public ingratitude. There may be some truth in this, and it would

explain in part Dr Erhard's present resignation, and Herr Strauss's abrupt decision to support Dr Adenauer's candidature after having promised the Free Democrats that he and the Bavarian wing of the Christian Democrats would oppose it. But it could also be argued that, by the manner of his scheming to stay on, Dr Adenauer is prejudicing the reputation of important party colleagues in the long run. Once again Dr Adenauer is making it quite clear that he himself does not think that Dr Erhard, whom the majority of his party and the Free Democrats regard as his most qualified successor, is experienced enough to take over. Herr Erhard missed the chancellorship by inches two years ago, when Dr Adenauer, convinced of his own indispensability, abandoned his declared intention of standing for the presidency. Herr Erhard is now 65, already three years older than Mr Macmillan was when he became Prime Minister. His prospects of the highest office are dimmer, and he has lost stature in the eyes of the public. Nor have Herr Strauss and Herr Gerstenmaier cut steadfast figures since September 17th.

Herr Mende is no longer proudly saying that the Free Democrats will not serve in an Adenauer government, though he continues to maintain vehemently in public that it would be dangerously challenging the laws of nature to leave the conduct of state affairs to an 85 year-old, however fit he may appear to be at the moment. In the coalition negotiations with the Christian Democrats that opened this week Herr Mende did not raise the issue of the chancellorship. That, he says, can be settled later. For the time being the two parties are sounding each other out with the object of reaching agreement on issues of domestic and foreign policy. That should not be difficult. But Herr Mende is not in a hurry. Nor is Dr Adenauer. Their leisureliness is as tantalising to the public as it is to their parties' rank and file.

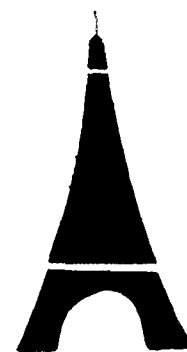
Italian Political Gambits

FROM OUR ROME CORRESPONDENT

EXPERTS believe that the elaborate counterpoint of Italian politics is followed in detail by no more than some two or three thousand people, all more or less professionals. They include a few score of journalists whose job it is to interpret the ambiguous language of the politicians, most of whom have ended by adopting the oracular style of oratory introduced by the Christian Democrats. For fifteen years the political game has been played in the closed arena of the parties (inside or outside parliament) according to rules invented and understood by the players but incomprehensible to outsiders, that is to 51 million Italian citizens. But a country which is bursting its economic seams is not a safe or suitable place for such diversions.

The political gambits of the last few days, during and after the debate on foreign policy, which ended on September 29th, could well be the last act in a comedy of manners. The debate itself was a pretext to discover what would happen if Signor Fanfani and a strong group of Christian Democrats, headed by the party secretary, Signor Aldo Moro, were to take the great plunge, throw over the Liberals and invite the Socialists to support (and eventually enter) a left-centre coalition. Would America consider such a government unreliable as a Nato partner? Would the Church oppose it as incapable of defending "Christian values" at home?

It was to sound this outside opinion that Signor Fanfani spoke in defence of his active interpretation of Italy's rights and duties under Nato. In going to see Mr. Khrushchev, he claimed, he had but followed the example of Mr Macmillan, whom no one suspects of being a neutralist. In point of fact, except in Italy where people are either too realistic or too provincial to believe that a cataclysm could be imminent, Signor Fanfani has rarely been criticised for this journey. Even Signor Malagodi, the Liberal party secretary,



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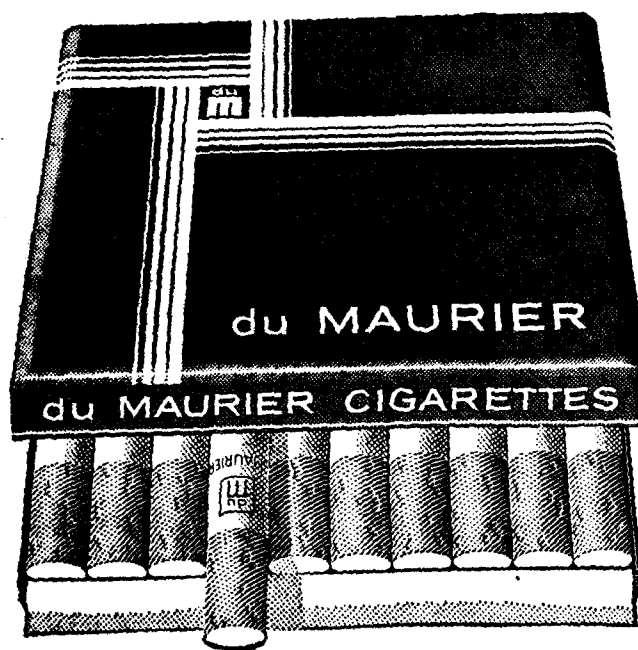


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admitted grudgingly that the trip to Moscow probably did no harm. But he blamed the prime minister for his "faults of tone." One more step towards the Socialists, Signor Malagodi suggested, would carry Italy over the borderline that separates loyalty to Nato from neutrality. At the end of the debate Signor Malagodi was seen to wring Signor Fanfani's hand (part of the rules of the game) though the prime minister had said nothing substantial to reassure him. In fact, two days later, Signor Fanfani, evidently heartened by the result of his soundings, made a speech at Caserta telling the Christian Democrats—not in plain terms, but in conventional language which the initiated understand—that they must cease to repulse the Socialists.

Thus the debate, which ended in a resounding vote for the

government's foreign ministry estimates, probably marks the end of this long interim administration during which Signor Fanfani has governed with a self-contradictory majority, euphemistically called "the convergence." Since last Friday, September 29th, the stage is set (a second time) for the great operation which is to bring the Socialists into "the area of government." Signor Fanfani made the first move. And the Social Democrat and Republican leaders, who would be his partners in a left-centre coalition, have declared that the doctrinaire neutralism of the Socialists differentiates them from the Communists (who are not neutral but pro-Russian) and does not preclude them from collaborating in domestic matters with a coalition government. The Socialists' leader, Signor Nenni, spoke last Sunday to soften the edges of Signor Lombardi's

NORTHERN
RHODESIA

The Brass behind the Copper

Huddled together in the rich, troubled heart of central Africa, the southern part of Katanga and the northern part of Northern Rhodesia carry around their necks a band of copper. This, their political burden, is their economic blessing. Between them they account for something like a fifth of the world's annual production of copper. Because of this, each is called on to contribute to the economy of poorer areas linked to them. In both territories the modern mining companies know they must struggle to keep their heads above the waves of African nationalism. The best guarantee of a future for these companies is their near indispensability. But they must obviously take care not to adopt political attitudes that would lead nationalist leaders to conclude that they could, after all, be dispensed with.

There are four major groups in the mining business in Northern Rhodesia. The *Anglo-American Corporation* and *Rhodesian Selection Trust* (RST) between them operate the mines. Their decisions are taken independently. American Metal Climax owns over 50 per cent of RST shares. The main revenue earned by *Tanganyika Concessions* comes from its 14.5 per cent holdings in Union Minière (the Belgian company that dominates next-door Katanga) and its 90 per cent interest in the railway that takes copper through Angola to the port of Benguela. The prime source of income of the *British South Africa Company* (BSA) is its ownership of all mineral rights in Northern Rhodesia.

None of the four Rhodesian companies is completely separate from the others; interlocking holdings and directorships give the industry a unity that is surprising in view of its international ownership. A fair proportion of the directors are City of London men; many of these have pronounced public (and private) opinions about Colonial Office policy in Northern Rhodesia. Anglo-American's holding company, Rhodesian Anglo-American, which has a total issued capital of ordinary

shares and loan stock amounting to over £10 million and a total capital employed of over £90 million, also has large interests in the RST mines; several of Anglo-American's directors are on RST boards. (Capital employed in the RST group amounted to over £40 million in June, 1960.) Lord Robins is a director of Anglo-American, as well as of Tanganyika Concessions; he is chairman of BSA. The chairman of Anglo-American, Mr Harry Oppenheimer, is also a director of Tanganyika Concessions and BSA.

Tanganyika Concessions has a number of Belgians on its board; it is headed by Captain Charles Waterhouse, a former junior minister in the British Government, and its directors include the Earl of Selborne. With the outlook in Katanga uncertain, Tanganyika Concessions is now diversifying its interests away from Union Minière, and so far it has looked mainly to the timber business. At nearly 20 per cent it has the highest yield of all the companies; the others offer 10-15 per cent, and the prices of most of the shares have halved in the past few years.

As with all African shares, this reflects the political risk facing the companies. But for the operating companies the risk can be diminished by winning, now, the confidence of the men who will rule this part of Africa in the future. In Northern Rhodesia, Mr Kenneth Kaunda knows the need for a stable economy; some of the men who may succeed him if his moderate policies fail are less understanding. The mistake that could be made now would be to delay African political advance for another few years and thus lose the trust of men like Mr Kaunda. Fortunately, RST and Anglo-American have been progressive in the past, Sir Ronald Prain, the chairman of RST, most noticeably of all. Together the companies have reached an agreement with the European mine-workers of the copperbelt that (in theory, at least) the industrial colour bar will be abolished. In practice, the pace of African

advance in the mines will be the pace that the Europeans (who are training the Africans) will tolerate. Nevertheless, the companies can point with justifiable pride to the contributions they have made to education, health and welfare for people of all races.

The company in the most difficult political position is BSA—because mineral rights can be possessed by anyone, regardless of expertise. BSA receives a royalty on every ton of ore of value removed from the ground in Northern Rhodesia; the royalty is based on agreements made with African chiefs between 1895 and 1900. In 1948 Mr Roy Welensky (as he was then) attacked these royalties vigorously, and said that they should revert immediately to the government. Under an agreement signed in 1949 the royalties were guaranteed by the British and Rhodesian governments until 1986; 20 per cent of the revenue from them now has to be paid to the Northern Rhodesian government. In the five years to September, 1960, BSA earned almost £50 million net from these royalties. The company's policy is to build up an investment portfolio against the day when the royalty agreement lapses. A large amount is being invested outside Rhodesia. The latest investments abroad include £2 million in a land development project in British Columbia and another £5½ million for aluminium development in Australia.

There are representatives of Anglo-American and other leading South African mining houses on the BSA board, as well as various merchant bankers of the City of London, including Sir Charles Hambro, who is also a director of the Bank of England. More remote from the worlds of mining and finance is Viscount Malvern—an architect of the central African federation. Lord Salisbury was also a BSA director until his resignation last April on the grounds of ill health. But the name of Cecil is still much to the fore, since some of the company's investments are now held by two separate subsidiaries, Cecil Investments and Cecil Holdings. The BSA royalties may seem as tempting a plum to a future nationalist government as they did to local Europeans in 1948.

ather sharp speech in the foreign policy debate. Signor Lombardi wanted Signor Fanfani to make a clean break with the past, but Signor Nenni urbanely said that the Socialists can co-operate with the Christian Democrats without either party renouncing its principles or trying to fuse Marxism with Catholic sociology, or socialist neutralism (which he seems to consider a mere hypothesis, with the pledges given by the other parties to Nato).

If Signor Fanfani sticks to his guns the crisis may come at the end of October when parliament will have voted all the departmental estimates. If the government resigns (through the defection of one of the three external supporting parties) President Gronchi may either ask Signor Fanfani to form a left-centre coalition, or else invite the present government to carry on and dissolve parliament. His powers to do this lapse in November, six months before his presidential term ends. The feeling gains ground that the issue is so momentous as to call for a general election which would almost amount to a referendum on the question: government with or without the Socialists? The problem is no longer political so much as psychological. Will Signor Fanfani's nerve hold? Will President Gronchi be true to the programme he announced in his famous investiture speech? Will the Socialists find the strength to override doctrinal prejudice and habit?

The conditions in the country are very different from what they were when the question of "an opening to the left" first became a practical political issue in 1958. Today Italy rides the crest of an industrial boom; it has passed from the old protectionist "corporative" economy into competitive capitalism under the common market. The social problems connected with the change are immense. The Christian Democrats alone are powerless to resolve them. Their impotence has been demonstrated this week when 10 million school children have found themselves short of 50,000 class rooms and parents have camped in the streets all night to enter their children at school. For two years the Christian Democrats have been dallying with a "ten-year school plan" of which Signor Fanfani himself is the author. Now the plan has gone with the wind. So too has the government's "five-year plan for agriculture," annihilated by the flow of population from the country to the towns. Now the Christian Democrats project a plan to co-ordinate industrial development. But it will take more than a mere "statistical exercise" (as its critics define the project) to regulate the forces let loose by the change in the country's economy. Signor Fanfani knows this, but will he have the strength to carry through his ideas?

Tout va Très Bien

FROM OUR PARIS CORRESPONDENT

"My centre is giving way, my right is in retreat; situation excellent. I shall attack." In keeping with the celebrated advice of Marshal Foch, General de Gaulle was in a particularly aggressive mood in his broadcast to the nation last Monday. Signs of discontent among the political parties in previous weeks had led General de Gaulle to invite some of the leaders for consultation. Since this did not seem to satisfy them, he warned them publicly that there was no question of returning to the parliamentary games of yesteryear. If, instead of following the government's lead in a disciplined manner, the deputies misbehave, the National Assembly will be dissolved. And if the crisis is really serious, the President could always make use of article 16 to re-assume the full powers that he has just relinquished, and wield them in a more dictatorial way than in the last five months.

These warnings to his critics were coupled with approval of the Fifth Republic. The general claimed credit for the country's economic progress and political stability. The government has advanced methodically towards its appointed goal in Algeria.

Tribute must be paid to the armed forces not only for their victory in the field but also for their discipline. In the general's view all will be well so long as political trouble-makers are not allowed to sap the unity of the nation.

Some critics in Paris have pointed out that a gloomier picture might equally well be painted. It can be argued that France's economic expansion did not start with the Fifth Republic and that the latter's institutions are nothing but a façade. It can also be argued that the government's Algerian policy, far from being splendidly consistent, has been a series of improvisations, compromises with the military command and wasted opportunities. Finally, it can be feared that the combination of political apathy at home, with the officers' awareness that they are the only political force to be reckoned with by the government, may still provoke a direct take-over bid by the military command. These fears presumably inspired last week's appeals for a political regrouping by both M. Mendès-France and M. Mollet.

The political parties have lost their grip and are unlikely, without some sort of shock, to recover it rapidly. The efforts of the political leaders are, therefore, mainly significant for the light they throw on the changing popular mood. M. Mollet's desertion of the general is particularly interesting. He has a flair for understanding the mood of his rank and file and is not in the habit of



Taisez-vous, mes enfants

deserting ships that are in good trim. Yet any talk of a regrouping on the left raises the old problem of relations with the Communist party. M. Mollet answered the question in 1958 by choosing gaullism rather than even a temporary alliance with the Communists and he has not changed his mind. M. Mendès-France refuses to be drawn on the subject, but he will not be able to avoid the issue for long.

General de Gaulle clearly does not believe that the politicians, whether of the left or the right, represent any real threat to his position. Hence, he felt able to tell them to keep quiet and let him get on with his Algerian plans. It is extremely hard to say whether Monday's broadcast revealed any changes in these plans. He did not mention the Sahara or any French claims to military bases. Nor did he elaborate on the guarantees which will be required for the European community or on the nature and command of the proposed Algerian police force which would run the referendum. These silences are impossible to interpret. But nothing that the general said seems to be an obstacle to a resumption of negotiations with the Moslem insurgents and in Paris it is expected that this will soon take place. It should test the temper of the European settlers and of the officers' corps in Algeria.

The ease with which General Salan and his outlawed staff travel across Algeria, broadcast to the population, and organise bombings or strikes is a proof of extraordinary complicity in his



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activities by both the military and civilian authorities. The underground OAS (*Organisation de l'Armée Secrète*) has the same backing among Europeans as the FLN enjoys among the Moslems: not all its methods are approved but there is a general sympathy with its ends. Since the Europeans, however, are outnumbered—by roughly ten to one—their political weight is felt only when backed by the French army. In this context General de Gaulle's praise for the army's discipline is carefully calculated.

The ambiguous relationship between General de Gaulle and his officers' corps is not easily defined. There is general agreement, however, that more officers sympathise with General Salan's slogan of *Algérie Française* than with the gaullist conception of disengagement. This does not mean that they are willing to embark

on open rebellion. They seek refuge in a passive attitude. The first days of the abortive army coup last April showed what an opportunity this benevolent neutrality offers to a determined minority: loyalty was measured in terms of inaction. But the sequel showed the limited effectiveness of this kind of support. Next time General Salan and his colonels will have to go farther and therefore rely on more solid backing. Experts here suggest that if the imminent return of the Algerian leaders from Tunis were to be announced, this would be taken by many French officers as a final blow to their hopes and might cause an insurrection sponsored by the OAS. Logically, General Salan and his men should wait and prepare for such a favourable occasion. But brasshats are not always logical.

German Swings

FROM A CORRESPONDENT



THOUGH the full consequences of Dr Adenauer's electoral setback, in terms of government building, are still uncertain, it is already possible to draw some conclusions about the mood and direction of the west German vote. In a high poll (87.5 per cent compared with 87.8 per cent in 1957) the minor parties have effectively disappeared from the scene, gaining only 5.7 per cent of the vote compared with 10.1 per cent in 1957 and losing all their seats in the Bundestag; the alliance between the German party and the Refugee party, in the form of the *Gesamtdeutsche Partei*, has in particular ended in disaster. On the other hand, the trend towards a two-party system, noticeable in the two previous elections, has been halted. The main antagonists—Christian Democrats and Social Democrats—polled only 81.5 per cent compared with 82 per cent in 1957; the Free Democrats have firmly established themselves as a third major party. At the same time the transfer of votes between the three parties now represented in the Bundestag was bigger than ever before, and if one can discover how and where these swings took place it will be possible to understand more about the nature of present-day German politics. The national average swings were as follows:

	CDU	SPD	FDP	GDP	DFU
	Percentage of Votes Cast				
1957 ...	50.2	31.8	7.7	8.0	...
1961 ...	45.3	36.3	12.7	2.8	1.9
Change	-4.9	+4.5	+5.0	-5.2	+1.9

There were, however, marked deviations from this mean. The old fear of the CDU that its Protestant voters were less reliable than its Catholics was confirmed. In Schleswig-Holstein, rural, conservative and 88 per cent Protestant, the Christian Democrats' vote went down by 6.3 per cent, although there was here a large reservoir of Refugee party votes to exploit. In denominationally mixed North Württemberg, the drop was 7.9 per cent. It is obvious that anti-clericalism is by no means a spent force in Germany. How much better the line held in Catholic constituencies is illustrated by two results from Rhineland-Palatinate. In Montabaur, evenly balanced between the two confessions, the CDU went down from 54.9 per cent to 48.3 per cent; next door in Prüm (97 per cent Catholic) it went down from 79.1 per cent to 76.1 per cent. In Hesse it lost its ten remaining Protestant seats and now holds only the three seats with Catholic majorities. Thanks to being able to pick up most of the votes of the semi-defunct Bavarian party, the Bavarian wing of the party, the CSU, did best of all: indeed in 16 out of 46 seats it improved its position.

The Social Democrats made least progress in their old industrial strongholds. This may be partly because they have come near to exhausting their potential in these towns; it is also undoubtedly because the fellow-travelling Peace Union (DFU) has drawn a good many votes from them here. The Peace Union polled best in the old communist citadels, and in

many of these the SPD has simply stagnated. In Hamburg its vote rose by only 1.1 per cent, in Mannheim by 0.1 per cent, in Remscheid-Solingen it actually dropped by 0.4 per cent, and in Nürnberg-Fürth by 1.2 per cent. It is evident that the socialists did best among people who do not come from a traditionally Social Democrat environment and who would not previously have considered voting for them. To this extent their "new look" has proved to be profitable.

The Free Democrats, like the Social Democrats, have made least progress where they have hitherto been most stable, that is in the south-west—Baden, Württemberg and the Palatinate. In their best constituency (Heilbronn in Württemberg) they gained only 0.1 per cent. They did better in former strongholds where the last few years have brought them heavy losses—Hesse and Hamburg for example. Here they have been able to recapture most of their apostates to the CDU. They did best of all in northern Germany, where they were able to corner the lion's share of the votes that once went to the All-German party. Diepholz in Lower Saxony is a striking example: the GDP dropped from 33 per cent to 8 per cent, the FDP rose from 7 per cent to 24 per cent. These newly-won voters may well prove a headache to their party. Deeply conservative and nationalist, they have little in common with the liberal ideas which the FDP proclaims and could, in the long run, appreciably change its character.

All in all, the bulk of the floating vote has shown itself to lie where observers have always tended to locate it, in the Protestant middle class. This class has done peculiar things before now, and its political behaviour will need to be watched in the very difficult period now confronting the makers of German foreign policy.

In one respect, however, German voting habits have not changed: women are considerably more conservative than men. In the city of Ulm polling stations were segregated according to sex. This showed that women divided 44:35 in favour of the CDU, while the men divided 45:35 in favour of the SPD.

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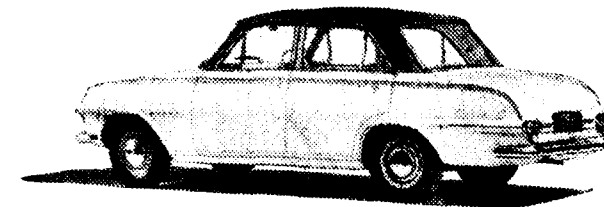
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Pause in the Pause?

BANK RATE was reduced by a tentative $\frac{1}{2}$ per cent on Thursday to the inevitable chorus of that well-worn formula, "no green light." This reduction, the Chancellor of the Exchequer declaimed at the Mansion House dinner on Thursday night,

is certainly not an indication that the time has come to relax any part of our policy. The credit restrictions and the other measures must still continue. . . .

Seven per cent Bank rate was a crisis rate. Its function was to demonstrate to the domestic public that a crisis was on, to the overseas public that Britain intended to do something about it; and to give immediate support to sterling. These tasks, the authorities now apparently feel, have been fulfilled; indeed the support for sterling has become embarrassingly strong, raising the sterling-dollar rate to a height that is not justified by the underlying balance of payments and pulling in foreign funds from abroad. Thus, on the official view, there has been sufficient progress with the short-term objectives of the July measures to justify this half per cent reduction—which is strongly desirable in the interest of international equilibrium. But the long-term elements of the July policy, so the chorus repeats, remain unchanged—no easing for the banks, no easing for the other suppliers of credit, no easing in wages policy.

This line of reasoning is not unfamiliar; but it is reasoning that does not add up. Either Bank rate is part of the credit squeeze or it is not. If putting it up to 7 per cent had a psychological influence, in what way does putting it down to 6 $\frac{1}{2}$ per cent have none? Long after the echoes from the Mansion House dinner table have died away, industrialists will be noting the reduction in their overdraft rates. Building societies will find it easier to get hold of funds; local authority treasurers will feel a half per cent better off. The stock exchange has already registered its relief. "Perhaps things are a bit difficult, but anyway we're over the worst"—that, surely, must be the general reaction. Is Mr Cousins not supposed to hear? Is the Minister of Labour not supposed to hear? Or will their eyes be riveted to the restraining words of Lord Cromer and Mr Selwyn Lloyd, urging everybody else to keep up their end of the squeeze?

Most recent economic pointers have been in an encouraging direction. The reduction in Bank rate is the more disappointing because 7 per cent had apparently been far from ineffective domestically; whether or not interest rates are a negligible consideration for borrowers at 5-6 per cent they plainly have an intrusive influence at 7-8 per cent. The Governor implied that interest rates in Britain have recently been unduly high;

but at their traditional levels they may in modern conditions be virtually ineffective. After all, the economy for once appears to be responding quite sharply to official policy. Current payments may be back in balance already and there is the prospect of a surplus sufficient to cover capital commitments by the first half of 1962.

Yet nobody questions the size of Britain's economic task. The Bank of England itself, earlier this week, was offering an analysis intriguingly close to that of the not particularly like-minded National Institute of Economic and Social Research. The Bank, in its notably improved quarterly bulletin, declares:

To sustain a satisfactory rate of economic growth and at the same time restore external balance, an increase in exports of some 10 per cent per annum may well be required for two or three years, assuring no change in the terms of trade.

The National Institute, in turn, sees a good chance of a rise of 5-8 per cent in exports by mid-1962, but points to the exceptionally favourable conjuncture of reduced activity at home and favourable market conditions abroad. Britain's balance of payments still seems to it "to be fluctuating around an average which is seriously inadequate." The Bank is plainly in agreement, and has no illusions about what its 10 per cent per year rise in exports requires: it "will require a sharp change in the international competitive position of UK industry." The Bank would therefore, one would have thought, have been deeply anxious to avoid any action that would encourage a return of complacency; and this provided a strong reason for deferring the cut in Bank rate.

The Bank and the Chancellor have taken a risk. For what purpose? The major consideration, frankly, has been to ward off foreign funds and avoid embarrassing the United States. The dollar is again coming under strain; this week has seen a gold loss from the United States of \$75 million, the largest for months. This pressure stems partly from the near impasse reached at the International Monetary Fund meeting in Vienna that ended a fortnight ago; and there is a sense in which this half per cent Bank rate reduction stems directly from the Vienna impasse too. For clearly if countries balk at making adequate official funds available to compensate international movement of private funds, then it becomes more tempting to try to reduce the private flow themselves. This is awkward in a world of convertibility. Bankers dislike exchange controls. Hence the new fashion of international co-ordination of interest rates. In fact this cannot be an adequate substitute. In the last resort countries are not willing to put their interest rates to levels that are really inappropriate to their domestic situation—if they did, the consequences

could be far more inflationary than any international credit scheme, of which some bankers are so shy. Thus the British authorities at present are presumably not willing to reduce Bank rate to 4 per cent: yet this is what might well be necessary to check the inflow of funds. Bank rate at $6\frac{1}{2}$ per cent is still likely to leave a huge margin, of perhaps $3\frac{1}{2}$ per cent, over New York in the Treasury bill rate.

The dilemma between domestic and external considerations affecting Bank rate has not therefore disappeared. But there was, and is, a simple and much more effective way of avoiding international embarrassment. The authorities have immediate means of compensating the movement of foreign funds directly. They could push the money back through the International Monetary Fund—either by making an early repayment or, less formally but to the same effect, by letting it be known that Britain would be happy if the next IMF loans were to be made in sterling.

ALTHOUGH some of the latest statistical evidence still relates to periods before or during which Mr Lloyd took his measures, such subsequent indicators as are available suggest that home demand is now moderating. Consumers' incomes are now probably not rising as sharply as they were in the first half of the year, while prices have been rising: this has limited the increase in personal spending. The Chancellor raised prices at once by his surcharges, and hopes to delay further increases in income. It would be possible for consumers to increase their expenditure regardless, by drawing upon their large apparent margin of personal saving; but the pressure to reduce consumer debt, under the squeeze, is an influence in the other direction. The surcharge on indirect taxes affected purchase-taxed durable goods, while the hire purchase companies were themselves independently tightening their terms; and this check to the purchase of expensive consumer items was imposed on sales of cars and home equipment at the beginning of the year but had never, this summer, developed into a boom.

Investment inside the British economy had been showing advance signs of a decline in 1962 before Mr Lloyd tightened credit: the more modest capital intentions of manufacturers and other businessmen, sampled by the Board of Trade at the beginning of the summer but only recently reported, have tended to confirm this. So have the records of orders for machine tools and other capital equipment. Private house-building seems to have passed a peak this year, and to be somewhat in decline: the effect of the squeeze on building societies may reduce effective demand for new houses somewhat, and it seems likely to work similarly upon local authorities' programmes for building houses. Various nationalised industries, admittedly, quite escaped any capital cuts this summer; but it is unlikely that total investment in the public sector will grow much.

In the assessment of our economic managers, perhaps, this moderation of home demand is supplying sufficient spare capacity—and incentive—for British business to increase its exports. Exports have already risen to some extent, though the main increases this year have resulted from larger deliveries of ships and aircraft, which will be hard to maintain. The National Institute, considering the prospects of higher demand

for imports in the resurgent American economy and possibly of some later recovery of imports into the overseas sterling area, reckons that exports should show a further rise during the first half of 1961; and that imports, now moderated by the decline in stock-building, will take longer to begin rising in line with output.

These factors in demand, all taken together, may imply a slow continued growth in industrial production, perhaps quickening a little by the spring, whereas in July it seemed possible that the pause would mean a temporary downturn. Employment has not risen this year nearly as much as production and nor have wages quite kept pace: as a result productivity and labour costs should have improved a little. (Costs of materials, too, have been fairly stable, but prices of manufactured goods have gone up somewhat: this implies that profit margins this year should have been rising somewhat, at least in the capital goods industries that have gone on expanding, though the stock exchange shows little sign of having heard anything about this.)

CONTINUED growth in national output, albeit slow, leaving a somewhat larger margin of spare capacity in the economy, and a swing into a much more favourable position in external payments: these are short-term prospects ostensibly promising enough to satisfy the most prudent. But recent uncertainties on the stock exchange—and those of industrial managers—may well have stemmed from the prospect of a collision between the Government and the unions, with businessmen as buffers, this winter. In principle, businessmen may be ready for the showdown; in practice, many

Since July . . .

BANK ADVANCES were down £104 million in the month to mid-August and £128 million in September—an unprecedented rate of fall.

CHEQUE CLEARINGS were down by 2.6 per cent in September, the first monthly reduction since January 1958.

In September, **HIRE PURCHASE** sales of cars dropped to 54,815, more than a fifth below September 1960 and with the exception of December last the lowest monthly figure for three years.

RETAIL SALES in August remained as high in value as in July, with the index 117 (1957=100), but prices had risen, so that the volume of sales was probably $1\frac{1}{2}$ per cent down. Sales of **DURABLES** fell away after the pre-emptive rush of July; sales of clothing and footwear went up.

The Board of Trade reported that **INVESTMENT INTENTIONS** sampled earlier in the summer suggested a slight dip in manufacturing capital expenditure in 1962, with a slight rise in investment by distribution and service industries.

UNEMPLOYMENT rose by about 10,000 more than would seasonally be expected between July and August, and remained at this level up to mid-September. **UNFILLED VACANCIES** fell 26,000 from July to September.

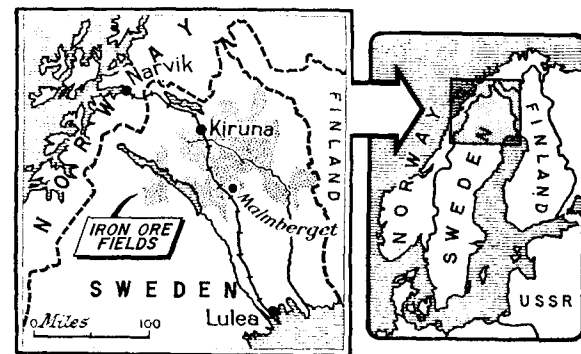
are less so, and Mr Cousins's distant thunder at Blackpool has had some effect. The National Institute, in its assessment of the winter prospect, assumed that the Government's policy may only drag negotiations out a little and lead to rather smaller wage awards: it guessed that by the spring or early summer, wage earners will have managed to achieve increases of about 5 per cent to match a rise of about 5 per cent in

prices since the last round of wage increases. Certainly the trade unions, duly noting the softening in the City will not be any more persuaded to suffer the squeeze in patience; and this week has made the institute's guess seem more likely. The pause might then temporarily have checked consumption, but would have made little contribution to that required "sharp change" in competitiveness.

Iron Ore From Lapland

IN spite of the development of new iron ore deposits in Canada and Venezuela, and various parts of Africa, Britain still imports more ore from Sweden than from any other single supplier: and most of this high-grade ore comes from the Far North. At Kiruna, and the rest of the vast ore ranges in Sweden's Arctic territories, there is so much iron ore that geophysical prospecting there is now being directed to a strange end—to finding ground guaranteed *not* to contain ore. The Kiruna deposits are a mighty ore body, dipping to 2,000 metres along a 5.5 kilometre strike. The 10 million tons taken out annually still represent a fleabite. However geophysical prospecting, employing gravimetric and seismic methods for the first time in prospecting for iron, has revealed as yet unannounced but reportedly vast new deposits in the area. As a result the town of Kiruna, centre of the northern mining industry which with an incorporated area of 13,181 sq. kilometres has long taken pride in being the "largest town in the world," has had to stop building its badly needed sewage plant, because it was located on a previously unsuspected ore deposit. Desperately needed new housing areas have likewise been found to rest on an iron base, and cannot be developed.

The Lapland deposits have been known since the 17th century, but their remoteness and the phosphorous nature of the ores made them economically unviable until the invention of the Thomas process of steel smelting in the 1870's. A succession of companies were ruined attempting to mine and bring the ore to market. The building of the 474-kilometre railway connecting the mines with the port of Lulea at the end of the Baltic and Narvik on the Atlantic had in the end to be completed by the Swedish State Railways (after a British company had gone broke). The all-important railway reached Narvik in 1903, by which time the mining concession had been acquired by the Grängesberg Company which operated mines in the traditional ranges in central Sweden. By using the railway as a lever, combined with a threat of an export levy on ore shipment, the government in 1907 grabbed a 49 per cent share of the equity from the company. Since no compensation was offered, the state partnership amounted to outright confiscation. The agreement then signed contained an option clause giving the government the right, after due notice, to acquire full equity in the company; the annual production was not to exceed a stated tonnage determined by the Riksdag and the contract was to be renewed every tenth year. This enforced partnership continued for 50 years, including two world wars during which the Lapland ores provided the sinews of the German war effort, since practically the entire Ruhr steel industry had been geared to the uninterrupted supply of this material.



It still remains something of a mystery why the Swedish government in 1955 decided to exercise its option and insist on acquiring a controlling interest of 51 per cent of the equity. The government was by then, it has been estimated, taking 90 per cent of the net profit of the operations—in dividends, corporation and income tax. Its professed reason was concern for this remote region where despite its immeasurable natural wealth people live in arctic squalor, unemployment and social backwardness. Human conditions in the tenuous shadows cast by the huge main frames of the mines are deplorable: they result in the highest unemployment rate, doles, and communist voting in Sweden.

BE that as it may, after lengthy bargaining the private owners backed out and received as a compensation £57 million in cash, while retaining £7 million, or 5 per cent of the equity of the new Luossavaara-Kiirunavaara AB, or LKAB for short. The Grängesberg Company invested its freed capital in a new steel works in Sweden and in the Nimba range in Liberia, which promises to be a serious competitor to the Lapland mines. The new state corporation LKAB, with a share capital of £35 million and total assets amounting to £78 million, began under good auspices. Investments totalling £35 million made during the five years prior to the takeover were brought to fruition with impressive results. The open-cast mining pursued for some 50 years has been abandoned and Kiruna has been converted to the largest underground mine in existence. An open working is usually the most lucrative form of ore extraction, but the open pits had reached such depths that the cost of terracing had grown too high.

It is the planning of the new underground mine that excites the interest of the mining world: it attracted some 1,500 mining engineers to have a look during the last brief summer alone. Confronted with the problem of bringing 3,000 men to their underground places of two-shift work, the mines were provided with ramps with a gradient of 1:10 and a tunnel width of 8 metres, by means of which the men are brought in and out by bus. Some 500,000 tons of mother rock derived from the preparatory workings are also brought to the surface by 25 ton diesel trucks. The ore, however, extracted by sub-level caving, is dumped by chutes down to the transport

tunnel on the mine's 420 metre level where it is brought by double-track CTC railway to underground crushers and hoisted in skips through eight shafts serving a large dressing plant above ground. Crushing, skipping and ore dressing is automatic. The capacity of the plant is 4,000 tons per hour, which is being expanded at the present by 50 per cent, by the addition of two new shafts with associated pithead plant.

This is at Kiruna. At the neighbouring property Luossavaara, railbound transport has been replaced by diesel trucks, and at the third property, at Malmberget, the ore not shipped as lumps is brought by band conveyor to a concentration plant and converted to sinter and pellets in a nearly automatic plant. The capacity of the Malmberget beneficiation plant is 600,000 tons powder concentrate of which 350,000 tons can be turned into pellets.

In 1960, these three orefields produced 16 million tons of ore, of which all but 0.4 million were exported to west Germany, Belgium and Britain for a total value of £61 million, providing a net profit of £12 million, after paying £11.4 million in taxes and reserving £5.7 million for investments. The output in 1961 is expected to exceed 17 million tons; LKAB will take the place of the Orinoco Mining Company, subsidiary of U.S. Steel, as the world's leading exporter of iron ore. By 1967, it is expected that the output will reach 24 million tons, of which 15 million will derive from Kiruna, 6 million from Malmberget, and 3 million from a new open cast mine now in the process of being opened up at Svappavaara. This mine is expected to become the third largest in the country, after Kiruna and Malmberget.

IN order to handle this increased output the banks and bridges of the ore railway to Narvik and Luleå will have to be strengthened to permit a wheel loading of 25 tons, as against the present 16 tons. To get the State railways to undertake this extensive reconstruction work, as well as build a new 40 kilometre spur into Svappavaara, in an age of contracting railways, would have been out of the question prior to 1957; now the railway administration has grudgingly consented to do so, which will raise the capacity of the railway by 50 per cent.

Ore-handling capacity at the harbours of Luleå and Narvik will also be expanded. Luleå is being built out at a cost of £10.5 million, to accommodate the shipment of 12 million tons per year. At Rombaksfjord on the Atlantic, scene of a memorable British destroyer action in 1940, a gigantic scheme, embodying gravity loading from underground silos blasted into the mountain that sheers into deep water, may be realised, the Norwegians willing, sometime during the sixties.

In sum, Kiruna is an exciting place to work for a large team of engineers and planners, who have the chance, seldom realised, to lift a backward extraction industry by the roots and plant it anew on a high technological level. It is highly gratifying work for technocrats because it is beautifully simple and clinically free of human contamination. Reduced to its simplest terms, it is a matter of cutting cost by the application of capital. It is a job that requires little insight in conventional mining; much of the work of rationalising the underground operations is being performed by men who never had their feet soiled by sloshing around in a mine. In fact, a good deal of the data on which the decisions are based gushes out of electronic computers in distant Stockholm.

While the major investments are turned into underground and surface buildings and ore handling hardware, the actual operations in the mines are subjected to cost-cutting scrutiny by a process locally known as "selective rationalisation." The bus transport underground cut the cost of personnel transport by 50 per cent. In the same mine "drilling and blasting," important preliminaries to ore extraction, have been subjected to technocratic review, with some surprising results. All the detailed aspects of the cost in drilling with all existing types of machines, from light airleg drills to multi-unit hydraulically controlled American drill jumbos, were determined by conventional work studies. From this crude material the major cost items, machine cost, labour and explosives, were selected for further study.

WHEN, ultimately, the computers gave forth the answers to the questions asked, some very surprising and, to manufacturers of mining equipment, highly embarrassing results were obtained. It became quite evident that of all the different types of rock drills made throughout the Western world none answered the requirements at Kiruna. At the optimal point of the curve was a lacuna that could not be filled by any available machine. But by then it had become a simple matter to write the specifications of the type of machine required and have it made. That put an end, for the time being, to concern over the high cost of drilling.

Reducing the cost of explosives by more than half required less sophisticated methods. Here the pioneering work had been done in United States and Canadian mines and quarries following the Texas City catastrophe in 1947 when a store of ammonium nitrate exploded. A research team at Kiruna produced a slurry consisting essentially of ammonium nitrate, fuel oil, TNT, water and a plasticiser. Having done that, its manufacture was turned over to the regular explosives supplier.

In the technocratic atmosphere now prevailing at LKAB it was inevitable that the many newcomers to mining would be restive about the primitive business of ripping ore out of the ground and shipping it in its crude state. They are now preparing for upgrading the ore to an intermediate product, tailored to the blast furnace requirements and the oxygen steel processes of their customers on the continent and in Britain. The 350,000 ton pelletising plant at Malmberget is the first big step in that direction, and the operations at the new Svappavaara mine are from the outset planned with such views in mind. Teams of metallurgists are studying the detailed process requirements of continental customers, and the management is prepared to offer tangible inducements to convert the buyers to the idea of having their pelletised charges prepared at the mines.

Closer technical integration, however, may not be easy to reconcile with Sweden's attitude towards closer economic and political integration in Europe. The ore company's political masters remain insistent on not having anything to do with LKAB's customer governments except on their own terms. The technocrats at LKAB, relaxing from the latest sheaf of figures from the data processing centre, tend to shrug off the statements of the political leaders regarding the Common Market as pre-negotiation tactics. Unfortunately, their computers offer no guidance in politics—which threaten to jeopardise their 24 million ton future.

BUSINESS NOTES

THE EXCHANGES

Uneasy Calm

Spot sterling dropped by $\frac{1}{4}$ to \$2.81 $\frac{1}{2}$ on Thursday, but technical influences as well as the Bank rate reduction played their part. In the forward market the three months discount narrowed by $\frac{1}{4}$ to 2 $\frac{1}{2}$ -2 $\frac{3}{4}$ cents, which is a little less, as an annual percentage on the spot rate, than the presumed $\frac{1}{2}$ per cent narrowing in the interest differential.

The feeling of the exchange markets continues to be one of uneasy calm. Sterling was in continuous demand again before the Bank rate reduction, especially at the beginning of the week; Wednesday was rather quieter. The process of unwinding of leads and lags is not completed yet, but it has been accompanied too by a slow if still tentative return of foreign balances. The dollar, which had earlier strengthened a little in Zurich, fell back in midweek towards its lower support point of 4.31 $\frac{1}{2}$, and was also weak in Germany. The gold market has had another quieter week—quieter, that is, by the standards of this summer or last autumn. The London price has remained at \$35.18 $\frac{1}{2}$, close to the notional shipping parity which also appears to be, for the time being, the official resistance point. The market is now reflecting the easing of tension over Berlin, following the official American hints about accepting realities. The undercurrents, which make the calm an uneasy one, are the doubts and fears that private bankers have taken home from Vienna.

While the Bank of England has cast unexpected light on the Basle operation at its zenith, it has kept the veil of secrecy over the latest step in its dismantling, and has thus once again blurred the significance of the monthly gold figures. The published rise for September was £24 million. Britain drew the remaining £18 million of its £536 million from the International Monetary Fund last month, but this was certainly much more than offset by a "substantial repayment" of Basle money to Continental central banks. Guesses at the amount can best start at the new reference point provided in the Bank of England bulletin. This discloses that the largest amount outstanding under the "Basle Agreement" (note the inverted commas) was £325 million. This is a little higher even than the maximum range in most unofficial estimates, but it confirms that the total drain of reserves up to the end of July was in the range of £600-£650 million put forward in *The Economist* of August 12th. The new figures given by the Bank can now be used in association with existing (and hitherto largely unmeaningful) figures

to show what lay behind the massive strain on sterling in the first seven months of this year. In brief, the figures show a basic deficit on current and long-term capital payments of £220 million; a capital outflow beyond that of £550 million; tempered by rebuilding of £124 million of London balances of overseas sterling countries, giving a net deficit of some £645 million.

The Basle credits apparently reached their peak during June. At June 30th they were down by £2 million to £323 million, and there was a "small" repayment in July. In August "some £200 million" was repaid—the whole amount referred to in the statement issued at the time of the drawing from the Fund—so that the amount outstanding before last month's "substantial" repayment was perhaps £120 million or a little less. The one other clue is that "the great bulk" of the total assistance has now been repaid. It would be reasonable to assume that the remaining rump consists of the Swiss portion of the credits which it is now planned to fund in a medium term government to government loan, designed to avoid a movement of funds across the exchanges. On the very rough assumption that some £40 million remains on this score, September's repayment may have been some

STERLING CRISIS, 1961: THE (ALMOST) OFFICIAL ARITHMETIC

Seven months' drain January 1 to July 31; £ million	
Published gold loss.....	278
Basle credits (325 peak), say.....	320
German debt repayment.....	598
	643
To Finance	
First half-year (to June 30)	
Current and long-term capital deficit....	-129
Adjust for: Ford.....	130
German debt repayment.....	45
Adjusted deficit.....	304
Balancing item (unidentified inflow).....	97
Net deficit.....	207
Outflow of Capital*:-	
Sterling holdings (non-£ area holders)—	
Official.....	76
Private.....	296
Miscellaneous capital.....	79
Total capital outflow.....	451
Add capital outflow for July.....	100
Capital outflow Jan.-July, say.....	551
July basic deficit, say.....	11
Capital outflow plus basic deficit.....	769
Less rise in £ balances of RSA Jan.-June	124
Total to be financed by Basle credits and reserves.....	645

* Excluding the Basle credits disclosed by Bank of England Bulletin. † Adjusting for Ford. ‡ Gold loss for July was £114 million, after "small repayment of Basle credits."

£80 million, which would bring the true rise in the reserves in the month to £86 million, following £40-£50 million in August. Some London dealers put the true September rise as high as £100 million. But no one is very confident about his guesses nor—on the upturn—very concerned about the precise figure.

IN THE MARKETS

Taken by Surprise

ALTHOUGH a cut in Bank rate had been freely discussed, the City did not expect it yet. The market had rather been looking for some hint at the bankers' dinner that a time for some such reduction was not far off. Gilt-edged stocks had been firm all through the week, particularly at the short and short medium dated end of the market. The growing strength of sterling encouraged Bank rate hopes, and sentiment had also been strengthened by the improvement in the liquidity ratios of the clearing banks, following the further sharp drop in advances in September, which suggested that the banks might soon be buying gilt-edged stocks again. The stock to attract most attention however has been 2 $\frac{1}{2}$ per cent. Savings Bonds 1964-67, which is attractive to the surtax payer. It now stands at 83 $\frac{1}{2}$, having gained 1 $\frac{1}{2}$ over the week. The rise in prices at the short end helped most of the gilt edged market but it was only after the cut in Bank rate that the undated stocks showed much improvement. By the close on Thursday War Loan stood at 53 $\frac{3}{4}$, a gain of $\frac{3}{4}$ on the day. Gilt-edged stocks generally showed gains of up to half a point, but some speculators were taking their profits by the afternoon, and prices closed below their best.

Equities, too, showed some good gains on the Bank rate news with stores and property shares well to the fore, and the *Financial Times* index on Thursday rose by 5.6 points to 300.5, following its 2 point rise on Wednesday, when the market found reassurance in the gold figures and the moderately favourable forecast of the National Institute *Economic Review*.

Before the Boost

By Tuesday the *Financial Times* index of ordinary shares had passed through the low points for both 1961 and 1960 and at 292.9 was at its lowest level since a week after the 1959 general election. Selling had not been very heavy, but buyers felt disinclined to re-enter the market, especially with Mr Cousins rumbling away at Blackpool and the public opinion polls showing

a further swing towards Labour. A Bank rate cut then still appeared a distant prospect.

While there has been little sign of institutions returning to the market, a large part of their funds is still being absorbed by new issues. The statistics compiled by the Midland Bank show that in September the amount of "new money" raised on the London market amounted to £48.3 million, bringing the total for the first nine months of 1961 to £533.1 million, compared with £393.5 million for the corresponding period in 1960. Among the recent issues, rights offers by both Thomas Tilling and Ross Group amounting to about £6½ million together were both over-subscribed after taking account of applications for "excess" shares. The block offer of 5 million Scotbits at 5s. each has also met with an encouraging response, bringing in applications for 5.3 million units despite the low yield of only 2.8 per cent. The "Save and Prosper" Group can be well satisfied with the success of this offer in the depressed markets of the present, and this success is likely to be noted by unit trusts, which hitherto have usually made their offers near the top of the market. As the figures now incorporated into the quarterly bulletin of the Bank of England show, net additional sales of units reached only £1 million in the first six months of 1961. The trusts have, however, been doing somewhat better since then.

The bulletin also gives similar figures relating to investment trusts. The returns of 249 trusts show net new investments in the first quarter of this year of £9 million. Of this sum about £3 million was invested in Britain, over half of it in government bonds of 5-10 year maturity, while £6 million was invested in overseas securities. Clearly some of this went into European securities and in view of the propensity of investment trusts for investing in their own kind some of these funds have no doubt gone into European investment trusts. One of the largest of these, Robeco (Rotterdamse Beleggings consortium NV) is now to apply for an official London quotation for its shares, which so far have been dealt in under Rule 163 (1) (c). At present British investors hold about 7 per cent of its capital, giving them a stake of about £6 million. The shares now stand at about £25 but the company has now altered its articles to permit the issue of sub-units of one tenth of a share, which at about 50s. would be a much more attractive unit to the British investor. The trend towards lower priced units has continued elsewhere and Unilever is now to follow Shell Transport in splitting its £1 stock units into 5s. shares. This pleased the market which marked up the £1 units by 9s. to 142s.

DRUG PRICES

Dispensing Pressure

THE Minister of Health has not lost much time in following up his announcement last May of his intention to invite tenders

BUSINESS NOTES

for the bulk supply from Italy and Denmark of certain antibiotics used in hospitals. Contracts have now been offered to four British drug importers, covering a period of one year starting from the end of this month. Some hospitals had already been buying these drugs direct from Italian manufacturers, who are neither licensed to make them by the American inventors nor pay royalties. Mr Powell has now followed their lead. His authority lies in a section of the Patents Act of 1949 giving the Government the right to waive some of the rules governing patent protection where a patented invention is used "for the services of the Crown." To Mr Powell's advisers hospitals evidently appear to qualify as such a service just as much as defence, for which this section has normally been used in the past.

The implications of Mr Powell's latest move in his Ministry's constant battle to hold down the rising cost of the national health service are far more significant than the actual savings to the Exchequer from importing these antibiotics. The annual drug bill now totals £110 million, of which only £14 million worth is used in hospitals.

The antibiotics concerned—the tetracycline group and chloramphenicol—cover about £1 million of that £14 million, and Mr Powell reckons on saving about £350,000, less any royalties his department agrees to pay to the patent holders (or, if negotiations fail, any sums decided upon by the High Court). At the beginning of this year the Ministry managed to get the drug manufacturers to agree to some important modifications to the scheme governing the prices of drugs supplied for the health service as a whole, including a new provision for direct negotiation of prices for "certain widely used drugs"—among them, these new antibiotics. Since then some progress has been made in settling new prices.

But what has probably spurred Mr Powell into carrying out his threat to buy from foreign sources, presumably as a way of putting additional pressure on the manufacturers, has been some figures prepared by a firm of accountants giving the rate of profit on capital employed earned by the British manufacturing subsidiaries of the eight largest American drug firms—including the four companies supplying hospitals with the new antibiotics. On pharmaceuticals these eight American-owned subsidiaries earned an average 73 per cent on capital employed. This the Ministry has compared with its own figures of 20 per cent for British-owned pharmaceutical firms and 13 per cent for Swiss. After allowing for the American subsidiaries' share of the costs and capital of their parent companies' research, their rate of profit works out at about 30-35 per cent. Though the Ministry's calculations for British and Swiss firms may not be comparable, it is probably right in thinking that 30-35 per cent is rather on the lush side. Mr Powell's latest choice of weapon might raise eyebrows, however: after all, other governments may take a fancy to it.

EXCHEQUER ACCOUNTS

Uncertain Surplus

DESPITE the fortification provided by the "little budget" of July, the Exchequer accounts at their half-way mark of September 30th appeared to be not quite matching Mr Lloyd's original budgeting in April. The overall deficit, including below line outlays, was actually £26 million larger than a year before, whereas the April budget foresaw an improvement in the full fiscal year of £325 million, to a deficit of only £69 million—which after the July measures should become a modest surplus. The Chancellor stated on Thursday night that there is no reason to believe yet that the final result will be "very different" from the April and July estimates. The Exchequer reckoning is, of course, far from being the test of the policy: indeed, the more successful the Government is in holding incomes down, the smaller will be its intake of income tax and the less chance there will be of an overall Exchequer surplus.

So far, however, income tax has been fairly buoyant, with an increase of £109 million on April-September, 1960, compared with an expected rise of £295 million

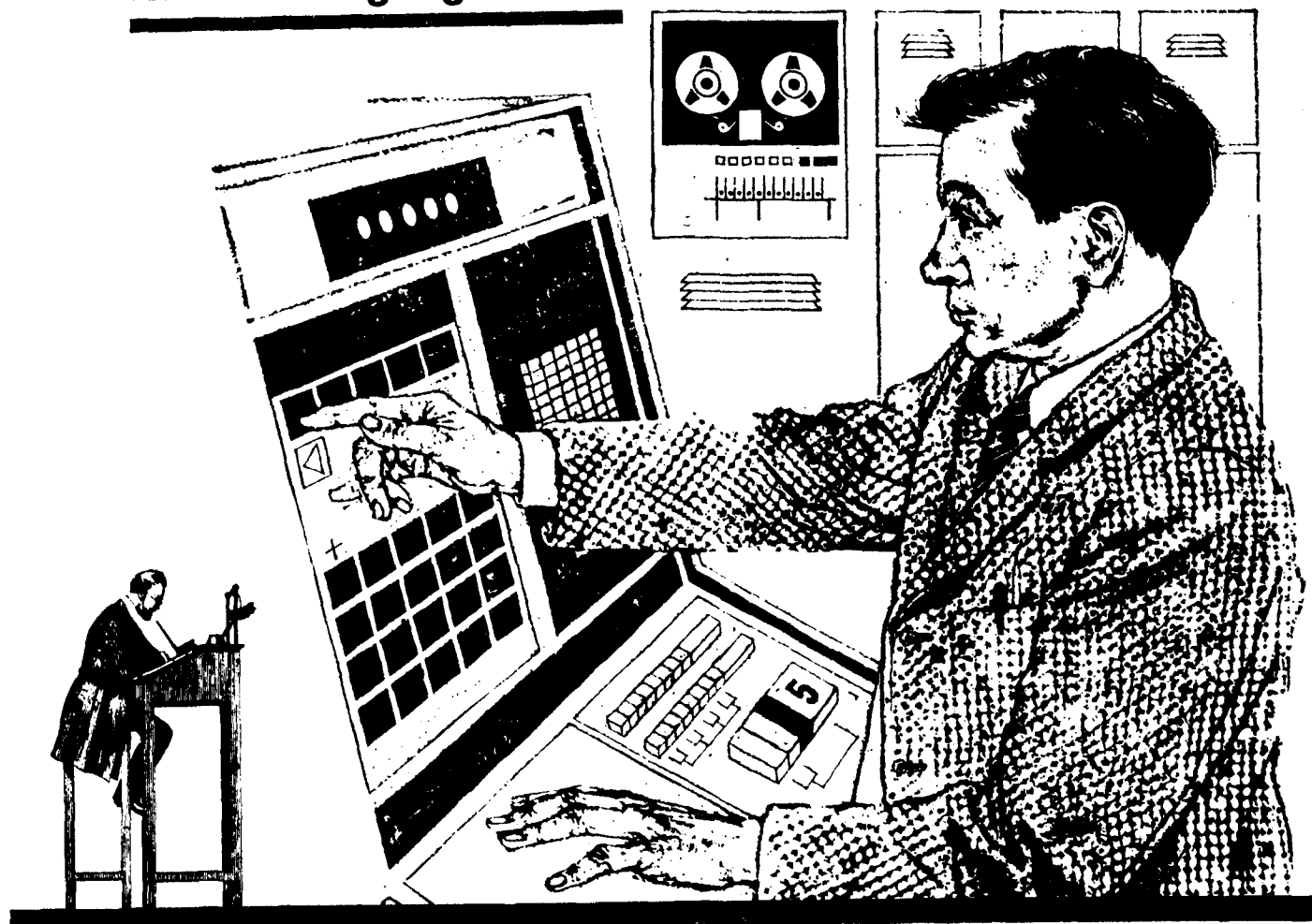
SIX MONTHS' OUT-TURN

	April 1. to Sept. 30, 1961	Change on April 1. to Sept. 30, 1960	Expected change in full year on 1960-61 out-turn
Revenue			
Income tax	787	+109	+295½
Surplus	43	+7	+20
Death duties	133	+22	+4
Stamps	51	+8	+4
Profits Tax, EPT and EPL	178	+37	+62½
Total Inland Rev.	1,192	+182	+386
Customs and Excise	1,275	+85	+120*
Motor duties	31	+5	+29
Other revenue	136	+32	+39
Total Ord. Revenue	2,634	+304	+574*
Expenditure			
Interest on Debt	396	+66	+1
Sinking Funds	19	nil	+1
N. Ireland	42	+1	+3
Miscellaneous	4	nil	+14
Total Cons. Funds	461	+67	+17
Supply Services	2,516	+193	+198
Total Expenditure	2,977	+260	+215
Above-line balance†	-343	+44	+359*
Net Below-line Out- lay	-348	70	-34
Total deficit‡	-691	-26	+325*

* Not adjusted for additional revenue of £130 million expected from 10 per cent surcharge on revenue duties.
† In second and third columns (+) indicates reduced deficit or increased surplus.

for the full year, the bulk of which would be expected in the new year quarter when tax receipts are at their heaviest. Death duties and stamp duties are already above the budgeted increase for the fiscal year, but motor duties are lagging well behind the expected rise. Customs and excise, originally scheduled to increase by £120 million over the year, are up by £85 million; however,

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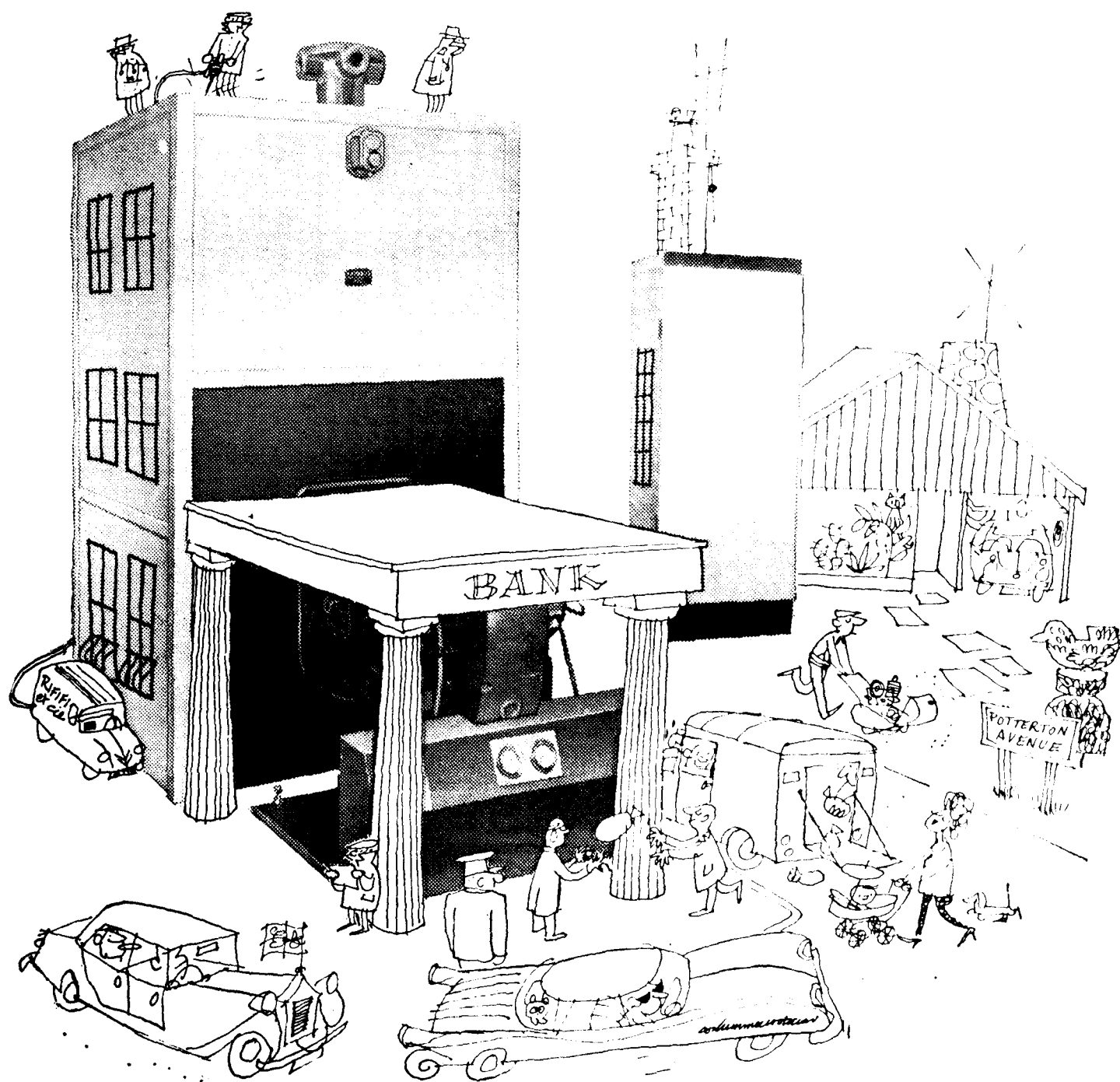
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about £25 million of this increase is attributed to the Chancellor's 10 per cent surcharge on revenue duties, which is expected to add an extra £130 million in this fiscal year. Total ordinary revenue is so far up by £304 million, compared with the April estimate, ex the surcharge, of £574 million.

Spending Runs Ahead

EXCHEQUER spending, however, is well ahead of schedule. Supply expenditure is already up by £193 million, taking up almost the whole increase expected in the full year. Debt interest is up by £66 million, compared with an April estimate of a slight fall on the year. The 2 per cent rise in Bank rate will have added some £12 million to Exchequer borrowing costs in these nine weeks; the bulk of the addition to debt interest so far is attributable to other, more technical influences connected with the conversion this spring of the 1956-61 Funding Loan stock. The upshot is that total ordinary expenditure is up by £260 million compared with an estimated increase of £215 million in the full year; and the above-line deficit at £343 million is £44 million smaller than twelve months ago, compared with an improvement of £359 million expected in April, before the "little budget" boost.

Net expenditure below-line for these six months is £70 million larger than a year ago, against an estimated increase for the full fiscal year of only £34 million. Payments below-line, however, are especially lumpy and erratic. Loans to building societies already total £33 million, close to the whole provision for the full year, but the societies have only until November to draw before the scheme is suspended. The Electricity Council has drawn £156 million in loans expected to total £190 million in the full year, and the Transport Commission has drawn £85 million of an expected £137 million. But the local authorities seem to be repaying the Exchequer at the expected rate, and their drawings of £5 million, for which no provision was noted in the budget accounts, were made predominantly before the turn-round in the exchange market and the London mortgage market in July.

CONSTRUCTION

Fever, None the Less

IT is not often that a manufacturer cuts his price, even nominally, when hard pressed to keep abreast of orders. But that is what the London Brick Company has done. It has pared the price of 1,000 "common bricks" by 2s. per 1,000 or roughly 1½ per cent, because, the firm says, of higher productivity—at a time when many other brick manufacturers are facing higher unit costs through having to use old plants, work a lot of overtime, and skimp on plant maintenance in order to meet the present

MOTORS

New Cars at the Salon



THE Hillman Super Minx that has been introduced at the Paris Salon this week is virtually identical to the Singer Vogue, using the same 1,600 cc engine developing 62 bhp, but it has a different radiator grille and two headlamps instead of four—a touch of austerity that increases aesthetic appeal since the headlamps are so nearly combined with the grille. The Super remains a strictly conventional design, but it is much superior to the old Minx in its handling and road-holding qualities; it is a well-balanced car with only a slight tendency for the front wheels to drift out on a corner. The actual cornering power seems better too, with little tyre squeal or roll if a bend is taken fast, and the steering is now more positive. Rootes has followed Vauxhall's example in retaining drum brakes, but not in using soft springing; the result is that passengers feel small up and down movements on bumpy roads, but the car is pleasant to drive fast.

It has in fact certain of the good qualities that the old Victor had; perhaps there may be some transfer of allegiances. But at the price of £854 for the saloon it is competing with the Victor de Luxe, which costs £847 with a three speed gearbox and £864 with four speeds like the Minx, rather than with the Victor Super at £798 with four speed gearbox or the Ford Classic at £767 to £826. The Hillman is more comparable in body space to the Classic than the Victor; the family man may therefore go for the latter, and the more sporting driver for the Super Minx or the Classic—which does offer disc brakes, if less comfortable cornering.

The only important new model from a Continental manufacturer to be making its debut at the Salon is the rear-engined Simca 1000. As might be expected when the companies are financially linked, this car follows closely the chassis design of the Fiat 600, a car that avoided the worse features of some rear-engined designs. The body is much more modern, clearly inspired by the Chevrolet Corvair, and considerably roomier; its engine is derived from that of the Simca Aronde, but is of 944 cc instead of 1,290 cc and it develops 45 bhp. At a price in France of £470 the car will be competing with the Citroën Ami 6 and the more expensive versions of the Renault Dauphine. If, as is expected, Renault replaces the Dauphine within the next year or eighteen months by a super Dauphine with a 944 cc engine, it

may well move up into the price class of these new cars. The Simca means one more competitor for the small British car in Europe; though it is hardly an advanced design, Simca has always relied on well-tried features to sell its cars.

Price Cuts

THE reductions of up to £29 in the price of the Triumph Herald that were made this week suggest that Leyland is determined to raise the volume of its car sales, even if this can only be accomplished by reducing profit margins. The dismissal of a large proportion of the administration can hardly have made anything like a big enough saving to allow such a big cut in prices; but presumably the new directors feel they can find other means of reducing costs. One factor that may well have precipitated their action is Rootes' decision to keep the old Minx in production at a price that was £1 below that of the Herald saloon; another may have been introduction of the Cooper versions of the BMC babies at a price that was £49 below that of the Herald saloon—and is still £20 less. The price of the new TR4 sports car also shows determination to stay competitive; at £1,094 it is only £74 more than that of the TR3 that it replaces, £80 more than the Sunbeam Alpine and £108 less than the Austin-Healey 3000.

The cost of tyres has also fallen this week as the result of competition; the cut of six per cent by manufacturers passes on to the public the benefit of competition among wholesalers for the custom of the retailers, which the latter could not pass on themselves owing to resale price maintenance. The wholesalers had been giving retailers an extra discount of about five per cent, entirely out of their own margins. Now the manufacturers appear to be forcing the retailers to go back to their old discounts, leaving the wholesale margins reduced. Most tyres sold on the replacement market go through wholesalers, who may sell direct to large customers but mostly supply garages. It has only been these large customers who have benefited from the competition among the wholesalers. This incident shows how resale price maintenance makes the consumer depend on the manufacturer to give him any benefit from competition amongst distributors. But it also reveals that such competition can occur and still, eventually, bring prices down.

very heavy demand for bricks. Production has been pushed up by about 2½ per cent this year, but, though fewer complaints of shortage are now heard from builders, mainly because they have become accustomed to ordering well in advance, supplies are still generally tight.

Indeed, generally the building industry is displaying all the usual symptoms of extreme pressure. Tender prices have been rising sharply: *The Builders' index* has jumped from 384 in February (1939 equal 100) to 413 this month, partly as the result of higher material costs and partly from this month's wage increase and reduction in the standard working week. In house building, the picture is almost 1947 all over again: starts have levelled off, completions have dropped, but the number of houses in various stages of construction has been

shooting up. The industry is hoping that the Government's measures last July will help to bring building activity into better balance without setting off a real decline. The cut in Bank rate may give them some grounds for optimism.

OIL

Dalliance in Baghdad

AT their initial meeting with General Qasim last week, the negotiating team from Iraq Petroleum Company and its shareholders that has returned to Baghdad for the latest round of discussions presented to the Iraqi government a memorandum setting out in detail the reasons why they cannot agree to a 20 per cent government

participation in the existing operations of IPC. Discussions appear to have gone no farther: the general then asked for time to study the memorandum, and proposed a further full-dress meeting on Tuesday of this week. During the interim the Western negotiating team discussed some of the issues with certain of the Iraqi ministers concerned, but when Tuesday came the full meeting was postponed for a few more days. It may be that the Iraq government, unwilling to accept the companies' position or proposals, is nevertheless not anxious for what might be a final break in these talks. But it might be unwise to exaggerate General Qasim's disinclination to force a showdown: the explanation may simply be that he has had some political preoccupations close to his frontiers in the last week or so.

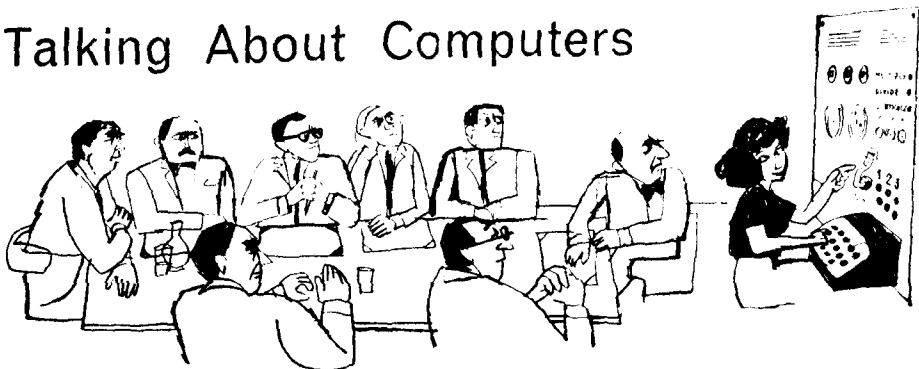
making into the system without, in so doing, removing the equivalent responsibility from someone who hitherto had this task to perform." But computers are still being bought in large numbers for routine arithmetic, with the government as one of the biggest customers. With 18 already working and 9 more on order, the Treasury expects to spend up to £20 million on electronic data processing during the next ten years doing service and police pay, the population census, stock control for the services and the entire graduated pensions scheme (which was planned for computers from the start and might be unworkable without them). Likewise, the banks are only just beginning to put their accounts on to computers: significantly only one bank, the Bank of Scotland, had enough experience of computers to give a paper at the symposium.

Electronic account posting emphasises one of the biggest problems associated with computers, the design of their ancillary equipment. Computer design was not discussed—a pity, since this is a fascinating field where the stimulus comes from scientists asking always for bigger, faster computers and where advances in solid state physics are changing computers so that the early designers will soon be unable to recognise them. But the computer itself is only as good as the equipment that feeds the data into it and prints this the other end in a usable form. Banks, for example, could not adopt electronic book-keeping until a host of ancillary machinery had been designed to "read" figures on cheques. The mastery of electronic "reading" may in fact open up completely new fields for computers by making them independent of the rather clumsy devices used at present to feed information into them. Then computers will have full qualification for a seat on the board, and better qualifications, one might add, than some present two-legged incumbents.

perishable. To spread work throughout the year, and to be still able to give quick delivery, dress manufacturers have to manufacture for stock, backing their hunch on which designs will sell best in what colours. Their mistakes have to be jobbed off in the sales. But one manufacturer, Job White and Sons, has discovered that if ten or twelve knowledgeable retail buyers can be shown each new season's designs in advance and asked to place their initial orders, the computer—in this case, hired—will work out a production schedule from this small sample, specifying designs and colours so that "the firm could inflate an order book for two weeks into five months' work with very little risk of incurring unsaleable stock." Most people would appreciate that the kind of economic problems faced by a company like Shell could be expressed to mathematical terms, but how many would have thought that a computer had an eye for fashion?

Decision-making by computer is still novel enough to attract comment. It is also behind most of the labour troubles caused by "going electronic," rather than the displacement of clerks by the computers on purely routine duties. A member of one of the main computer manufacturers, International Computers and Tabulators, expressed it this way: "One cannot say that one is building decision-

Talking About Computers



THE symposium on electronic data processing being held in London during the current computer exhibition had not finished when this issue of *The Economist* went to press, but the papers already presented showed how numerate computer owners have become since the last meeting of this kind four years ago. At that time a computer was still regarded as a high-speed adding machine useful for tiresome routine computations such as calculating payrolls, keeping stock inventories and insurance records; it was probable that a good many expensive installations were under-employed.

More and more managements since then have come to understand that a computer is capable of logic as well as arithmetic, and now seek its counsel before taking a good many far-from-simple business decisions. Nor is it only big companies such as Shell Petroleum that do this, working out the group's probable worldwide supply—demand position a year in advance, or Rubery Owen using a computer for production planning, or AEI hoping that one will make it easier to adjust the production of domestic equipment to what the company itself described as "a wildly fluctuating market." One of the most interesting papers was read by a dress manufacturer who does not own a computer at all.

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Electrical Aids in Industry—Data Sheet

19

Factory Heating—2

It is impossible to describe in detail every type of electric heater on the market, but a representative selection is dealt with below. Each type of building presents its own problem, and the best plan is to seek advice from your Electricity Board, who will be pleased to help.

'OFF PEAK' ELECTRIC HEATING

Because the 'off peak' load makes use of generating and distributing equipment when it would otherwise be idle or underloaded, the Electricity Boards offer cheap 'off peak' tariffs. Three types of 'off peak' heating systems are available, namely:

(a) **Hot water storage heating:** This consists of a conventional hot water radiator or panel heating system through which hot water from a large storage vessel is circulated. The water in the storage vessel is heated electrically during the 'off peak', low tariff hours and is circulated when required through the radiators or panels.

(b) **Block storage heaters:** These heaters consist essentially of a number of firebrick blocks which are heated up during the 'off peak' hours by means of suitable electric heating elements. The storage heaters are clad with a layer of suitable heat-insulating material and are housed in a sheet metal casing, the design being such that the stored heat is gradually dissipated throughout the day by means of radiation and convection. These heaters can easily be installed in existing buildings.

(c) **Floor warming:** In an 'off peak' floor warming installation, electric heating cables or ducts housing withdrawable cables are embedded in the concrete floor of the building.

The cables are switched on and the floor is heated up during the 'off peak' hours, and the mass of concrete and screed of the finished

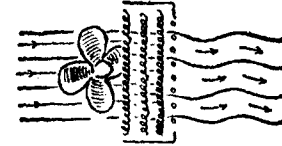


Plan view of room Perspective view of heating cable

floor has sufficient thermal storage capacity to heat the building during the period when current is not available. This method is only applicable to new buildings.

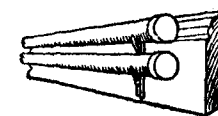
DIRECT ELECTRIC HEATING

(a) **Unit heaters:** These consist of a bank of electric heating elements fixed in a casing on which is mounted a fan which draws or blows air over the heating elements and discharges



it in the required direction. Such units are mounted on the walls or stanchions or hung from the roof members in appropriate positions throughout the works.

(b) **Infra-red heaters:** These consist of heating elements usually of the sheathed metal or silica tube type mounted in a polished reflector. They operate at temperatures from 700 to 900°C, and give off the greater part of their heat by radiation. They are mounted overhead and are useful for providing local areas of comfort in spaces not otherwise heated.

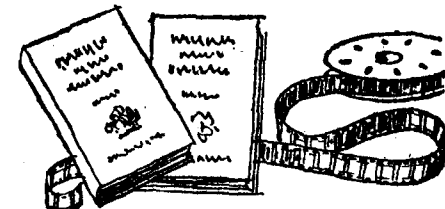


(c) **Tubular heaters:** These take the form of tubes approximately 2" in diameter containing an electric heating element and are available in lengths from 2 to 17 ft. The normal loading is 60 watts per foot run and the surface temperature is from 180 to 200°F. They are usually placed round the walls at skirting level, but also can be used at high level in order to prevent draughts.

For further information get in touch with your Electricity Board or write direct to the Electrical Development Association, 2 Savoy Hill, London, W.C.2. Telephone: TEMple Bar 9434.

Excellent reference books on the industrial and commercial uses of electricity and reprints of articles and papers are available.

E.D.A. have available on free loan in the U.K. a series of films on the industrial uses of electricity. Film and Book catalogues and Publications List sent on request.



CREDIT TRANSFERS

Telling the People

PEOPLE who are accustomed to pay their gas and electricity bills or hire purchase instalments by direct transfer through a bank have had the mild shock this week of being charged 6d. by the bank for this service. They are not being mulcted: the new system marks the final stage of the new system of credit transfers, under which customers and non-customers of the banks alike are being encouraged to make payments in this way at the bank counter, designating the accounts to be credited and handing over one sum to cover the lot, with an additional 6d. for each item to cover the cost of the service. Previously the commission was collected from the recipient, and for hire purchase instalments the companies were charged 1s. a time, which in one way or another was passed on to the borrower.

Comprehensive facilities for credit transfers have now been available for seven months, yet the general public has still not been stirred to move from the traditional English way of paying each bill with a separate cheque in a separate envelope.

People have not taken yet to the "giro" method, which the credit transfer embodies, of a single direct instruction to a bank to credit various designated accounts. To get the system going two additional things are needed: the public must understand the mechanism, and it must have the necessary information about traders' accounts. The banks in these past few months have been encouraging traders to include such information on their stationery—best of all is for the invoice itself to embody a credit transfer slip with details of the account to be credited already filled in. Firms have been slow to respond, though some big organisations, including the Post Office for its telephone accounts, are switching over to the new system. The banks are now to do their part by undertaking the essential publicity drive: the clearing banks over the next six months are to launch a joint advertising campaign explaining the new facilities.

SHIP FINANCE

Hole Amidships

SHIPYARDS have been saying lately that the cost of loan finance is currently their main competitive handicap in the

THE ECONOMIST OCTOBER 7, 1961

world export market for new ships. But it is not the only one, nor probably the most enduring difficulty. Last week the Sunderland shipbuilding firm, Joseph I. Thompson & Sons, failed to land a £2.5 million contract from the Naess shipping group for a 80,000 deadweight ton oil tanker (which would have been the largest tanker yet to be built in Britain) because of the complete collapse of attempts to raise mortgage finance for the ship—even though a long-term charter with Shell provided additional security and, it is believed, rates of 7½ to 8½ per cent were offered. This failure provides a salutary reminder of the long-standing "bald spot" in the London capital market for medium-term money of the kind suitable for financing shipbuilding orders.

Until international competition in shipbuilding and the demand for bigger, faster, and thus more expensive ships brought into fashion ship mortgage loans of more than five years—including some with an initial "rest" period for the first one or two years after delivery—and also loans for more than half of the contract price, shipbuilding finance both during and after construction presented few problems. The shipyards themselves traditionally undertook or were

THE ECONOMIST OCTOBER 7, 1961

able to arrange it: to meet a need for some organised facilities the Ship Mortgage Finance Company was set up ten years ago by ICFC, the Shipbuilding Conference, and about forty insurance companies and other institutions. This company's resources have for some time been fully committed and there is now a real scarcity of money in the capital market for ships, not only for export where risks and insurance costs are greater.

Banks are understandably unwilling to lend for more than five years, and periods of less than twenty years or so are not particularly favoured by insurance companies. Attempts have been made on a number of occasions to form some kind of fairly permanent consortium of insurance companies to fill part of the gap, but each time with little help for shipbuilders. The financing of British Petroleum's large building programme four years ago, which momentarily attracted some pension funds, was one of the more spectacular exceptions, and it was a once-only operation. Continental shipyards, in contrast, appear definitely to have much less difficulty in arranging credit finance for customers through their capital markets. Interest rates of as low as 5 per cent, loans for up to 70 per cent or even 90 per cent of total cost, and for periods of from seven to ten years are sometimes encountered. Presumably Mr Marples will now try to prod the City into making some suitable arrangements. But will he succeed?

ATOMIC ENERGY

Politicking in Vienna

PROFESSOR V. S. IMEL'YANOV of the Soviet Union is a likeable, respected scientist of world renown; but he may be on the way to forfeiting both the liking and the respect of other scientists through his blustering attacks on the International Atomic Energy Agency at its annual general meeting in Vienna. There the agency's first director general, the American Mr Sterling Cole, was making his valedictory report after four years in office. A successor, the Swedish Dr Eklund, has been chosen by the agency's board of governors but the Russian delegation seemed determined that the meeting should not approve the appointment. The Professor's ranting and roaring might be written off as a smokescreen to hide the Russian delegation's embarrassment in trying to explain away the Soviet Union's resumption of nuclear tests... were far less harmful than those of nuclear war") but for one particular point, his outright attack on the system of safeguards by which the Agency tries to ensure that no country to which it gives atomic aid or supplies atomic materials will divert these to military use.

These safeguards are regarded as the cornerstone of international atomic co-operation. It is recognised that any industrialised country can make weapons if it

COMMODITY CONFERENCES

Washington, London and Geneva

IF commodity producers have a season this is the height of it. To the harmless pleasure of guessing the size of many important crops that occurs about this time of the year the growth of international co-operation in commodity matters has now added the slightly more sinister activity of horse trading round the conference table. The market is nowadays more sceptical than alarmed at what might happen at these conferences. Though revolutions still have their place in commodity markets—as well as causing a fall in prices of Brazilian coffees Sn Quadros' unseating also forced the postponement of consideration of a "long-term" coffee agreement—experience has shown that these conferences do not produce overnight a revolution in marketing. In conjuring anti-climax out of what seems a desperate situation and in producing uninformative statements of studied ambiguity, some commodity committees have few peers.

It therefore did not come as a surprise that, despite exaggerated hopes, the international coffee agreement was quietly extended in Washington a fortnight ago and a committee was set up to draft a more permanent agreement, with a timetable that ensures that it cannot become effective before the start of next season. Since July, prices of Latin American coffees have declined by up to 10 per cent, though prices of African robusta coffees have remained firm. However, members' export quotas for the six months to the end of March were left unaltered, though last season export quotas had later to be cut to around 7 per cent below the original entitlement.

Producers can hardly be so satisfied with last year's quotas. But for the huge surplus that threatens disaster should agreement not be reached, there would certainly have been more haggling over quotas. Kenya's coffee, for instance, commands a substantial premium in some markets and the whole of its production is easily absorbed. Robusta coffees seem to be finding a readier market than more expensive mild coffees. African producers therefore argue the case for giving consumers the type of coffee they appear to want most against Latin Americans who are still producing millions of bags of coffee which will never be drunk.

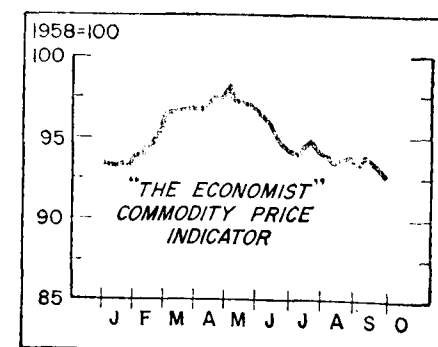
The drafting committee has been given until December to draw up a long-term agreement. Unless it can make room for some further growth in Africa's share of exports, it is unlikely to find favour in those parts. Although the United States, Britain and the members of the common market have given the project their blessing, it is less likely to get their signatures

if it includes some earlier recommendations for an elaborate buffer stock system.

Without big changes in permitted exports, the international sugar council is unlikely to save face by maintaining even a paper balance in future between supplies and demand. The ejection of Cuba from the American market added about 50 per cent to the quantity of sugar for which the council seeks to find a home, and although representatives at Geneva have so far been more concerned with putting their case for larger export tonnage, the meeting will soon have to get down in earnest to pruning back somewhere if it is to complete its review of the sugar agreement by October 12th. The favourite candidates for a cutback are those exporters who have been given the opportunity of increasing their shipments of sugar to the United States.

The United States consumes as much sugar as the council controls. When America's present arrangements for importing sugar lapse next summer it is hoped that they will be replaced by permanent legislation. Given the natural conservatism of the majority at commodity conferences, the current review of the sugar as the council controls. When renegotiation or an abrogation of the existing agreement. With the prospect that the United States will have a settled import policy next year, the current agreement will probably be patched up to last until its renegotiation in two years' time.

The twice postponed meeting of the international tin council in London, which was at one time eagerly awaited, has lost much of its significance. With the failure of a bid to get from Congress before its recess permission to sell 50,000 tons of tin from the strategic stockpile, hope of a firm American lead for next week's conference faded. Without any tin to sell or any definite sign of America's intentions, it is hard to see what the tin council can now do. While the conditions under which American tin might be released are still in doubt, this may not be considered the best time for raising the support price in the scheme, which all producers appear to want.



How the Airlines Ranked in 1960

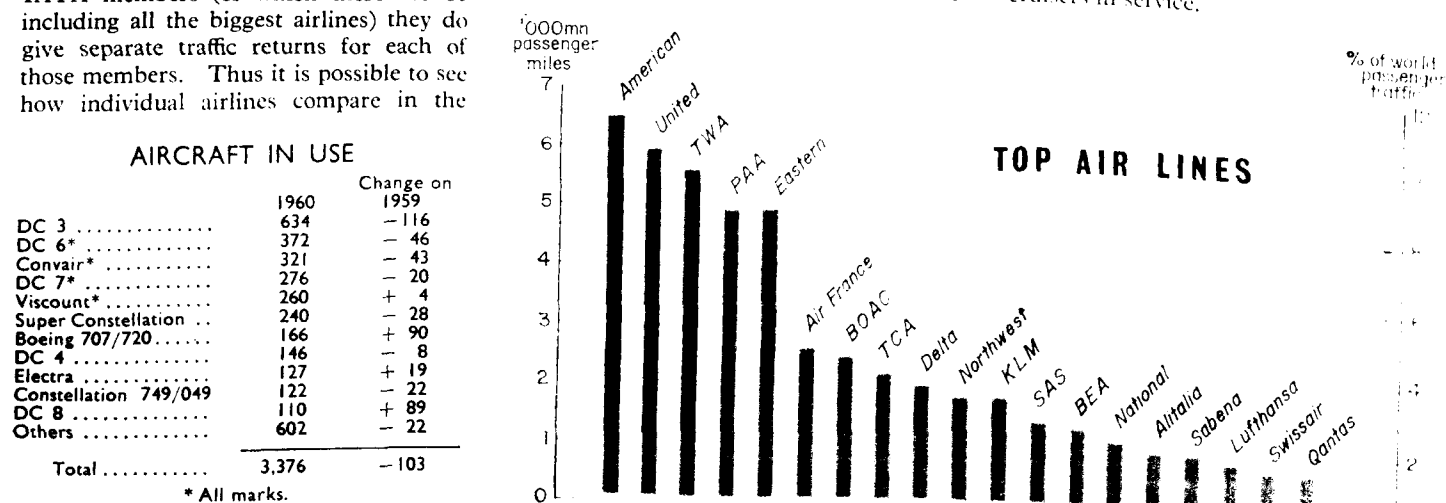
THE sudden recent check to the growth of air traffic has made it easier for the British Overseas Airways Corporation to explain to the Ministry of Transport's special appeals commissioner why it should be protected from competition by a second British airline, Cunard-Eagle, when last year's results show that the corporation has moved up from eighth to seventh place in the league table of airlines and is the fourth largest international carrier this side of the Iron Curtain.

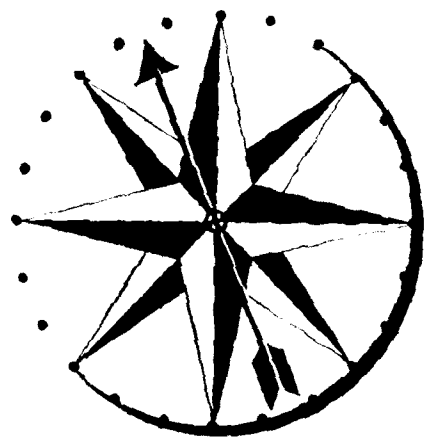
The air traffic results prepared by the International Air Transport Association are both less comprehensive than those issued by the United Nations, and more detailed; because while they cover only IATA members (of which there are 88 including all the biggest airlines) they do give separate traffic returns for each of those members. Thus it is possible to see how individual airlines compare in the

amount of business they do, measured by the number of passengers carried and the distance they travelled. Year after year the top league table of airlines is dominated by the big internal operators of North America, including those like TWA that have both internal and international routes. Since its merger with Capital Airlines, United is almost certainly a bigger operator than American, which has headed the list for so many years; what was surprising about last year's traffic, however, was to find one of the big four, Eastern, displaced by an international airline although admittedly still an American one—Pan American. This, combined with the steady climb of BOAC up the table, is sure evidence that the rate

of growth in internal American air traffic is slowing down while international traffic, which has always lagged behind it, was still expanding at the old rate. Perhaps the airlines ought to have been able to read this as the writing on the wall; then they might have been taken less unawares by this year's set-back.

The quite noticeable drop in the number of aircraft in service with IATA airlines is not so surprising when the huge size of the new machines is taken into account, and their inexhaustable capacity for work. The biggest fall was in the number of DC3s still flying; a good many DC6s and Convairs were also retired and the number of DC7s scrapped might have been higher but for the tendency to convert them to freighting. Last year was the first time that there were no Stratocruisers in service.





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K O M P A S S

chooses, but that is no reason for making the wherewithal freely available. The Indian delegates must have pricked their ears when they heard the Professor denounce the safeguards on the grounds that they deterred small countries from asking the agency for the technical help it is meant to provide (to make weapons?). India wishes to buy a plutonium-producing nuclear power station from abroad without signing the necessary undertakings not to use the plutonium for bombs. Does this mean that if the West refuses to allow its contractors to build the station (seven tenders are in) the Soviet Union will step into the breach?

Mr Cole's Case

It would be a pity if Professor Emelyanov's red herrings distracted attention from the criticisms made by the departing Mr Cole of the Vienna agency's organisation. Setting aside the agency's political difficulties, some of which arise from its parentage—it was the brain-child of President Eisenhower—the main complaint of Mr Cole is that the machine won't work. It is, for a start, grossly overstaffed, because of curious rules allocating jobs to which nationals of what countries. The board of governors interfere too much with its day-to-day running, holding innumerable meetings to take innumerable decisions and making inroads into the secretariat's budget in the process. Twice a year, said Mr Cole firmly, was as often as the secretariat wanted to see the board descend on Vienna. Again, it is short of cash. It is financed according to a curious system of regular contributions that more or less pay for day-to-day work,

and of voluntary contributions made for specific technical projects. As often as not, the agency is ordered to carry out special projects for which the members conveniently forget to send in the donations they promised. And when some major project does come up—the kind, for example, likely to bring prestige to the donating country—then the donor prefers to bypass the agency and deal direct with the recipient. If Mr Cole sounded fed up, he probably had every right to be, but there is more at stake in Vienna than Mr Cole's exasperation and Professor Emelyanov's bad manners. There is the sane and safe development of a new industry based on a completely new and only partly understood technology. It is to be hoped that this muddle in Vienna can be sorted out before this joint agency dies of self-induced radiation sickness.

HELICOPTERS

Westland Chooses Vertols

WESTLAND Aircraft, which is the only manufacturer of helicopters in Britain, has abandoned its reliance on Sikorsky helicopter designs—apart from those of the other British companies it has absorbed—and signed an agreement to service and, if it wishes, to build the Boeing-Vertol 107 helicopter in Britain. This decision does not affect Westland's agreement with Sikorsky, which still gives it the right to build Sikorsky helicopters here. But the company decided that the Vertol was a better commercial proposition than the comparable

Sikorsky design for a type of helicopter that is in much demand. The 107 can carry 25 passengers, and though this is too few for it to be an economic proposition in civil use, it is the design that is favoured for the services between London, Paris and Brussels that BEA and Sabena hope to operate. There should thus be an immediate market in Europe for a few civil machines; but the big orders that would make it worthwhile for Westland to start making the 107 itself could only come from the military. And the interest that is being shown in the machine on the continent for such uses, which might mean orders in hundreds from NATO countries five years or more ahead, seems the factor that did most to draw Westland from its allegiance to Sikorsky.

CHEMICALS

Spending to what Profit?

A SURVEY of capital expenditure by the chemical industry carried out by *Chemical Age* shows that major projects completed in the past year, still under construction or planned are likely to cost nearly £300 million. When the journal made a similar survey a year ago, the expenditure involved amounted to under £200 million: so the falling profit margins that have been the chief feature of the industry's experience in the past year have yet to affect its current capital expenditure. But there are signs that its future planning is becoming much more cautious than only a year ago, and that the industry may well

Overseas Investment

THE latest estimates of private direct overseas investment published this week in the *Board of Trade Journal* show that British industry invested £249 million overseas in 1960, an increase of 27 per cent on 1959, while investment in Britain by overseas companies at £141 million was down slightly on 1959, due entirely to a drop in unremitted profits. Rather surprisingly, profits retained overseas by British companies were lower in 1960 and the rise in investment came from new funds. Reversing a trend which has recently caused some concern in Britain, the earnings on overseas investment in Britain showed no increase in 1960 following a rise of 43 per cent in 1959, while earnings on British overseas investments were £20 million higher at £258 million. These figures, which exclude the earnings of oil and insurance companies, revise the balance of payments figures for direct investment published last March. The figures given here

DIRECT INVESTMENT—

BY UNITED KINGDOM COMPANIES OVERSEAS (Excluding Oil and Insurance) (£ million)

	1958	1959	1960
New funds	70	103	163
Unremitted profits	74	93	86
Direct investment*	144	196	249
Earnings	195	238	258
Less unremitted profits	74	93	86
Remitted profits	121	145	172
North America	38.1	48.0	34.6
Western Europe	15.0	22.6	24.8
EFTA	3.2	1.6	2.9
EEC	9.3	18.0	20.8
Rest of W. Europe	2.5	3.1	1.2
Rest of Sterling Area	78.7	100.1	132.6
of which Australia	19.4	27.3	46.6
Rest of World	11.7	14.5	16.1
Direct investment	143.5	185.2	208.1

for remitted profits are a residual calculation—earnings less unremitted profits—and are subject to the limitation that all profits accruing to overseas branches are assumed to be remitted to head offices.

Investment by British companies in the sterling area accounted for 64 per cent of British overseas investment in 1960, and it appears to be growing faster than invest-

BY OVERSEAS COMPANIES IN UNITED KINGDOM (Excluding Oil and Insurance) (£ million)

	1958	1959	1960
New funds	43	72	72†
Unremitted profits	44	76	69
Direct investment*	87	148	141
Earnings	95	136	136
Less unremitted profits	44	76	69
Remitted profits	51	60	67
North America	71.6	110.2	101.4
Western Europe	6.2	16.3	13.0
EFTA	4.4	8.3	10.5
EEC	1.3	7.7	2.2
Rest of W. Europe	0.5	0.2	0.3
Rest of Sterling Area	10.1	12.7	12.3
Rest of World	Nil	Nil	1.7
Direct investment	87.9	139.2	128.4

* Adjusted for non-response to questionnaires.
† Excluding Ford Motor Company transaction.

ment in Western Europe. Britain's investment there is concentrated in the common market, with the largest rate of increase in 1960 in Italy. The fall in North American investment is attributed mainly to the fall in profits in Canada. Overseas investment in Britain is dominated by North American companies, which in 1960 accounted for 65 per cent of the total.

be spending a great deal less in two or three years' time than it is now. The brutal fact that many projects cannot expect to show an adequate return on capital is beginning to damp the optimism of the chemical industry's management; instead of wanting to build bigger plants to reduce costs, it now tends to restrict its expenditure to projects that seem sure to pay.

The heavy investment outlay to which this industry is committed for the next few years is likely to coincide with a fall in profits, from which much of the expenditure might well have to be financed; so the outlook for shareholders does not seem too cheerful. Hopes that dividends would go on increasing seem rather unrealistic for the immediate future. In the long run the industry's rate of growth should allow the planned investment to be fully used, but profit margins may take a considerable time to recover: it is always more difficult to raise prices than to reduce them in an industry where competition is increasing in the market for almost every product.

TRADE DEBTS

The Squeezed Ones

THE recent sharp curtailment of bank advances has had speedy effects on subsidiary sources of credit, and notably trade credit. Big firms have become not only less tolerant about granting credit to their customers but also tougher about collections. Published information about this is almost non-existent, and particular interest, therefore, attaches to figures of collections issued

CASES NOTIFIED TO TRADE INDEMNITY CO., LTD., FOR COLLECTION

	Number of cases	Amount (£s)
1957.....	3,910	536,015
1958.....	4,664	627,559
1959.....	4,142	488,605
1960.....	4,555	631,816
1960—1st quarter ..	1,085	117,031
2nd " ..	1,103	153,225
3rd " ..	1,249	183,626
1961—1st quarter ..	1,743	239,365
2nd " ..	1,463	187,887
3rd " ..	1,469	190,851
July	459	51,557
August	458	64,302
September	552	74,992

by Trade Indemnity Ltd., the leading underwriters of trade credit in Britain. The amount of collections rose sharply after the Chancellor's July measures, and in the third quarter the total was higher than a year before—when collections had already been swollen by the credit restrictions of 1960.

EXPORTS OF MANUFACTURES

Competing by Halves

BETWEEN 1954 and 1960, the dozen exporters of manufactures who count in world trade shared a \$22,500 million

increase in business, though "shared" seems hardly the right term to describe Britain's performance. Exports from the United Kingdom have been rising at half the rate of its competitors: this was true of 1960, true of the period from 1954 to 1960 and, according to a recent Board of Trade report, it also held good for most of the separate classes of commodities that Britain exports. In absolute value, only the United States, west Germany and—by a bare margin—France bettered the increase of \$2,322 million in Britain's exports of manufactures between 1954 and 1960, but hardly anyone, least of all the Board of Trade, is currently in the mood to make much of that.

EXPORTS OF MANUFACTURES

	1960	Per-centage change over 1959	Per-centage change over 1954
Belgium-Luxembourg	\$ mn. 3,128	+14.6	+70.5
France	5,066	+21.3	+87.3
Italy	2,701	+33.4	+185.2
Japan	3,602	+18.8	+159.3
United Kingdom	8,403	+6.7	+38.2
United States	11,293	+17.3	+51.0
West Germany	10,135	+16.8	+129.2
Total*	52,313	+15.3	+75.4

* Twelve main exporters, excluding Communist countries.

In 1958, the only year since 1954 in which exports did not rise, the decline in Britain's

exports of manufactures was above average. In view of that one can be thankful that in the sort of export race run so far there are substantial prizes even for those last past the post. But on the Board's analysis there are strong grounds for arguing that Britain was badly placed for winning more business. The big gains have been scored in Europe where in money terms the growth in the market has been as great as in the rest of the world, though in 1954 the rest of the world imported twice as much. The Commonwealth to which more than half of the United Kingdom's exports of manufactures went in 1954 increased its imports only half as fast as the European countries.

In the first quarter of 1961, world trade in manufactures was about 4 per cent higher than a year earlier and only 2 per cent greater than the average for 1960, compared with a rise of more than 15 per cent in 1960. Britain's exports of manufactures in the first quarter of 1961 was 2½ per cent larger than a year earlier. Excluding ships, the seasonally adjusted rate of exports in the first eight months of this year was 3 per cent higher than the average for 1960, which suggests that unless figures for exports in the second quarter which will be published within the next fortnight show that world trade in manufactures has suffered a severe check since March, Britain's exporters have still to get on equal terms with their competitors.

SHORTER NOTES

Rank Organisation has made a bid for the capital of Gaumont British which it does not already own. At the moment Rank Organisation holds 42 per cent of the equity but controls about 57 per cent of the total votes. The offers for both Gaumont British 10s. and 5s. "A" shares as well as Gaumont British 5½ per cent preference shares include some Rank Preference shares on which the rate of interest has been raised from 6 to 6½ per cent.

International Paints and British Paints have given up the negotiations started in August for a merger between the companies.

Shareholders of over 90 per cent of the capital of Doom Dooma Tea have now accepted the offer from Brooke Bond which following a meeting between the two boards was raised from 55s. to 60s. per £1 unit. Shareholders who accepted the earlier Brooke Bond offer will also receive the higher price.

City and Central Investments, one of the Cotton-Clore property companies, has acquired the lease of Linen Hall in Regent

Street which includes Robinson and Cleaver, the West End store controlled by Mr Clore's Sears Holdings.

The block offer of 5 million Scottbits units at 5s. each attracted applications for 5.3 million units with the average purchase being 380 units. About half the purchasers asked for regular monthly investment forms. Holders of the old units will receive on conversion 152 new units plus a cash fraction of 0.3907 of 5s. for every 100 old units.

COMPANY AFFAIRS

Comments on pages 84 and 85 on:
Glaxo Plessey
Calico Printers Rio Tinto
Astley Industrial Trust
Electric and Musical Industries
Capital and Counties Property

LONDON AND NEW YORK

Stock prices, yields and security indices on pages 86 and 87

LONDON STOCK EXCHANGE

The week's movements reported on page 85

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 88

Flemish as spoken in Wolverhampton



PR172/H

Lit by the spluttering, steely-blue flames of welding arcs, the intricate cooling system of a nuclear reactor takes shape in Northern Belgium. For the 11,000th time, in the darkened inspection booth of a factory in the English Midlands, an X-ray negative is presented for close scrutiny, a head bends over it, and a hand writes a curt 'O.K.'

Sixty tons of gleaming aluminium are the link between the Belgian Atom Town at Mol and the English factory at Wolverhampton operated by I.C.I.—Britain's leading chemical company and an expert fabricator of non-ferrous metals. For the nuclear reactor

BR2 at Mol, the cooling water needs to be contained in a labyrinth of aluminium pipes, made with perfect precision and faultlessly welded. I.C.I.—no mean contributor to Britain's nuclear projects—undertook the job, confirming the perfection of their work with 11,000 X-rays and sending a special team of welders to install the pipework at Mol. When it's a question of making special assemblies in conventional metals, or supplying special metals such as zirconium, hafnium and beryllium for nuclear engineering projects, I.C.I. speaks a language that is well understood everywhere.

*The influence of I.C.I. research and production
is felt today in every corner of the globe*

Imperial Chemical Industries Ltd., London, S.W.1



THE DAVY-ASHMORE GROUP

The Eighty-eighth Annual General Meeting of Davy-Ashmore Limited was held on September 27th at 21 Tothill Street, London, SW1. The following is an extract from the statement by the Chairman Mr D. F. Campbell.

DAVY-ASHMORE

The accounts are the first since the merger with The Power-Gas Corporation Limited and the first since the Company changed its name to Davy-Ashmore Limited. The former Power-Gas Corporation had a financial year which ended on September 30th and this has now been adjusted so that the financial year for the Group ends on March 31st. In consequence, it is difficult to make a direct comparison between the result for the year under review and the combined results of the two companies before the union, because they relate to different periods in time.

It is more useful to compare the actual results with the forecast contained in the Joint Statement dated 6th July, 1960, describing the proposed merger. In that statement, the Directors stated they would expect the combined profits for the twelve months to 31st March, 1961, to be not less than £4,000,000 before tax. This has been slightly exceeded at £4,082,129 but in fact the year's profit has been struck after providing for some exceptional non-recurring charges which were not foreseeable when the Joint Statement was issued. It is fair to say that our trading results were rather better in relation to the forecast than the bare figure of profit suggests.

New Acquisition

For some time Davy and United Engineering Company has been looking for means of providing a better after-sales service to its customers. It was considered that an improvement in this service would result by organising the manufacture of many kinds of spares in separate workshops distinct from the main stream of contract execution. Accordingly, the opportunity was taken to acquire from Glenfield and Kennedy Ltd. the works at Polmadie, Glasgow, of their subsidiary Alley and MacLellan, Ltd. By the completion of its first phase of re-equipment the capital cost will be about £800,000. The bulk of this sum has already been met from Group resources.

Progress of the Merger

Progress in giving practical effect to the merger has been much as expected. The Group profit for the year under review does not, however, reflect the benefits of the merger to any significant extent, as it is derived from contracts in progress before the union. Nevertheless, the administrative shape of the Group is now well established and comprises a team of some 8,800 people.

Overseas Organisation

We also have an extensive overseas organisation with subsidiary companies in France, Canada, Rhodesia, South Africa and Australia; and offices in other countries.

The overseas organisation is being adapted to meet the needs of the Group as

a whole and with this object we have recently formed Davy-Ashmore Export Company Limited, with its headquarters in London. This subsidiary has the task of administering the overseas organisation and of carrying out sales promotion work.

Achievements

Much has been said and written about the two new steelworks being constructed in Great Britain, for Richard Thomas and Baldwins at Llanwern, near Newport, Mon., and for Colvilles at Ravenscraig, near Glasgow. These plants are for the production of steel strip and both Ashmores and Davy-United have large contracts for Blast Furnaces and Rolling Mill equipment. The progress of our work in both cases is fully in accord with our undertakings to our clients.

If I refer again to the Durgapur Steelworks in India, it is on account of the magnitude of the achievement. It has been said that this was the largest export contract ever obtained for Great Britain and Davy-United's contract responsibility carried a value of about £29,000,000. Notwithstanding the formidable tasks of organisation involved, I am glad to be able to say that all the rolling mills have now been started, either on programme or in advance of it. The remaining portion, which is to produce railway wheels and axles is not due, under the contract, for completion until December, 1961, but operations will start shortly.

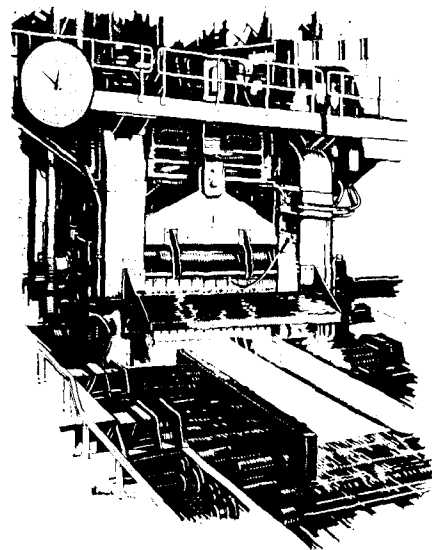
Davy-United's achievement at Durgapur must augur well for our future and the combined result must proclaim to the world that Great Britain can still lead the field in exports.

Future Prospects

Davy-Ashmore is a group of companies supplying capital goods for a wide range of industries in Iron and Steel, Non-Ferrous metals, Oil, Gas, Chemicals, Petrochemicals, Edible Oils, etc. While its diversification is now considerable, its future is inevitably bound up with the future of the industries which it serves. At the present time we have good order books and if our plans materialise, the results for the current year should not be disappointing, nor are the prospects for next year unhelpful.

Export Business

The demand for capital goods in sufficient volume to keep our factories profitably employed must always be conditioned by a growing demand for the products of the plant we build—for steel in its numerous forms, for aluminium, for chemicals, for oil, for the synthetics derived from petrochemicals, for fertilisers and so on—all the things, in short, which make for a better standard of life. Nobody can doubt that the demand for a better standard will become even more clamant in the years to come,



particularly from the vast underprivileged populations of Asia, Africa and South America. There is little doubt that we shall need to look overseas for an increasing amount of our business. I have no doubt of our ability to compete and if profit margins grow more slender, we must intensify the search for cost reduction and for even greater utilisation of our assets, which will enable us to accept smaller margins and still produce a satisfactory return on investment. But we must have the necessary conditions. Assuming that the recent restrictive economic measures were necessary to defend the currency, it seems deplorable that some remedy could not have been found which did not increase the costs of industry. Some 60 per cent. of the price of our products is the cost of the materials we buy and at a time when we are doing our best to respond to the exhortations for exports, we find the price of steel, our principal raw material, increased, partly because of increased tax on fuel oil and partly by increased cost of coal.

I am particularly glad to acknowledge the great improvement in the facilities for export credits which the Government has introduced during the last few months. However, while these facilities are improved, the cost of credit which is usually related to Bank Rate, has now become so high as to be non-competitive. No responsible person underestimates this country's difficulties in the finance of export trade, but the latest steep increase in the Bank Rate means we have to tell our customers they must pay interest at 8 per cent. per annum on outstanding credit. They can get credit elsewhere in the world for around 6 per cent. and this circumstance is a handicap to our export efforts. If the Bank Rate is to continue to be used as one of the internal economic regulators, it will be essential for the Government to find some method of insulating our export trade from its effects.

Nevertheless, I view with optimism the long-term future for Davy-Ashmore. Given orderly progress in the world at large, your Company should continue to grow and to expand.

The Report and Accounts were adopted.

DAVY-ASHMORE LIMITED DARNALL WORKS, SHEFFIELD 9

COZENS & SUTCLIFFE
(HOLDINGS)

GROUP PROGRESS

The 20th annual general meeting of Cozens & Sutcliffe (Holdings) Limited was held on September 29th in London, Mr H. V. Cozens, MInstBE, FInstD (the chairman), presiding.

The following is an extract from his circulated statement:

On the occasion of the Rights Issue to Shareholders on January 6, 1961, I made an estimate of the year's profits amounting to £250,000. The trading profit of £213,065, although a record, is short of this estimate by £36,935, a result almost entirely due to the restriction of the Electrical and Radio Industry experienced in the latter half of the two operating companies' financial years. The interim dividend received by Members on September 1st last, although financed out of the Group profits to June 30, 1961, has, however, been maintained at 15 per cent, and I see no reason to revise my earlier statement in relation to the second interim dividend due on January 1, 1962, thus completing a payment of 30 per cent less tax for the year.

Cozens & Sutcliffe Ltd. (Constructional Engineering & Plant Hire): Our present order book has never been so full and I have every confidence in the prosperity of this division. The Plant Hire department is doing extremely well.

A. S. DURAN & CO. LTD. and R.J.S. SERVICES LTD. (Electrical and Radio Industry Wholesale Distributors): The industry as a whole took a severe setback owing to Government action in the application of various credit restrictions and particularly with regard to hire-purchase, but I think it is possible to look to the future with confidence.

REDLER INDUSTRIES LTD. and SUBSIDIARIES (Mechanical Handling Plant Manufacturers): This Group has experienced its most successful year and turnover at £1,102,000 has for the first time in its history exceeded one million pounds. The money

expended on development of overseas markets is now justifying itself and I have every reason to expect continuing benefit to the Group from these sources.

The report was adopted.

TEA CORPORATION

SATISFACTORY CROP

The annual general meeting of Tea Corporation Limited, was held on October 3rd in London, Mr A. A. Estall, chairman, presiding.

The following is an extract from his circulated statement for the year ended January 31, 1961:

Tea Crop: There was a satisfactory increase in tea manufactured during the season compared with the previous year, the figures being 1,709,791 lbs. and 1,681,413 lbs. respectively. In addition 26,272 lbs. of tea was manufactured from bought leaf compared with 27,574 lbs., making a total output of 1,736,063 lbs. for season 1960/61 against 1,708,987 lbs. in 1959/60. Rubber Crop: A crop of 65,025 lbs. was secured, which is below last season's total of 68,301 lbs. and the shortfall is accounted for by the necessity of taking out of production 19 acres of very old rubber as continued tapping was uneconomic.

A profit of £20,527 before Ceylon taxation was earned in the year under review. Your directors recommend payment of a dividend at the rate of 9 per cent.

In view of the satisfactory crop harvested in 1960/61 the Board have decided to approve estimates for the current year based on a total of 1,785,000 lbs. made tea, which is 60,000 lbs. more than the previous year's estimate. It is expected that this target will be achieved as the total of made tea to the end of July is 975,376 lbs. compared with 882,136 lbs. for the same period last season. The market level of prices is much the same as last year, and I anticipate that the Company's results will prove satisfactory.

The report and accounts were adopted.

CALOR GAS
Holding Company Limited

The following points are taken from the Statement by the Chairman, Commander Colin Buist, to the Thirteenth Annual General Meeting of the Company:

- ★ For the year ended 31st March, 1961, the consolidated profit after all expenses and depreciation amounted to £828,828.
- ★ A Final dividend of 8% is proposed, making with the interim dividend of 4% already paid 12% for the year. £149,252 has been transferred to General Reserve.
- ★ Sales of "CALOR" Gas and equipment for use in rural homes and caravans for cooking, heating, hot water supply, refrigerators and gas stoves, and outside for picnic sets, blow torches, stationary engines, drying and other purposes continue to make steady progress.
- ★ Considerable development has taken place in connection with the expansion of the service for the supply of "CALOR" Gas as a fuel for industrial purposes.
- ★ The business as a carrier of gas for third parties continues to expand. The fleet of road tankers has been further increased and is now the largest of its kind in the British Isles.
- ★ In spite of increasing competition in the industrial field, sales since March, 1961, compare favourably with the corresponding period last year. Expenses continue to rise.

THE CALICO PRINTERS'
ASSOCIATION LTD.

INCREASED ROYALTY INCOME

MR R. M. LEE'S REVIEW

The Sixty-second Annual General Meeting of The Calico Printers' Association Limited will be held on October 25th at Manchester.

The following are extracts from the Statement by the Chairman, Mr R. M. Lee, circulated with the report and accounts for the year ended June 30, 1961:

ACCOUNTS

During the year under review there was a decline in the profits earned in the Association's traditional activities of finishing and merchandising, but this was counter-balanced by increased profits of the overseas companies and the retail companies. The fall of £322,000 in the trading profit of the Group, after provision for depreciation, renewals and repairs, from £2,269,000 to £1,947,000 was largely accounted for by continuing losses of The United Turkey Red Company Limited and its Subsidiary Companies. Losses of the U.T.R. group were running at a high level when the Association acquired control in June 1960 and it is only recently that the measures taken by the Association to reduce these losses have become fully effective. In contrast to this loss, however, there was a further increase of £472,000 in income from royalties.

Advances to Subsidiary Companies increased by £965,000. The greater part of this amount was required to build up stock for the export trade, part has been used for stock for the home trade and part represents an advance to The United Turkey Red Company Limited to enable that Company to repay the loan it had obtained from the Treasury. These acquisitions and advances have been financed by an increase in surplus funds deposited with the Association by other Subsidiary Companies and from the Association's own retained profits. The Association's own stocks also increased by over £1,000,000 but cash balances are £758,000 lower.

The increase in royalty income for the half-year to December 31, 1960, justified an increase in the interim dividend on the Ordinary Stock from the equivalent of 6½ per cent to 7½ per cent and in compliance with the Chancellor's request the final dividend recommended is 7½ per cent with a bonus of 6½ per cent representing the same amount as last year's final dividend and bonus.

COMMISSION PRINTING

Our Commission Printing year to the end of June 1961 proved disappointing in the total volume of business booked. There was a fall of some 8 per cent against the previous year and the decline was showing no sign of halting when the year came to an end.

It is fair to say that there are now only two main groups of markets from which our commission printing business is derived—the Home Trade Group and the West African. The "Home Trade" group includes a declining business for Australia and New Zealand and today relies on the home market alone for the bulk of its turnover. Former traditional shipping markets—India, Burma, Ceylon, Near and Middle East—are in effect completely lost. The amount of direct business sent to us by our

commission printing customers for these markets during the last year would barely occupy a medium sized works for a month.

Our Home Trade business is seriously dependent on the vagaries of the British climate and two poor summers in succession have made their inevitable impact on sales. This has led to severe contraction of the repeat business which we normally enjoy in early spring and coupled with increasing general economic difficulties throughout the early summer has had a restraining influence on our business. The majority of the decline in bookings has occurred in this market.

MERCHANTING

In my statement last year I explained that we had decided to confine the activities of Birch Vale Works to the production of dress goods for our own Merchant Departments. To implement that decision a major reorganisation of the Departments has taken place during the year.

Idle capacity at the works is now charged to the departments, who are responsible for keeping their works in economic operation, while the remaining dress works are free to concentrate on servicing commission printing customers.

The testing time of the new system has come upon us earlier than we had foreseen. The last few months have provided yet another example of the violent fluctuations which afflict the textile trade. A year ago we enjoyed a record turnover, unusually low stocks, a positive shortage of grey cloth and a good order book. Sales continued healthy until the end of March but there was a sudden and sharp falling off in April last.

COMPANY MEETING REPORTS

SIME DARBY HOLDINGS

(Incorporated in England)

SATISFACTORY TRADING ACHIEVEMENT

The fourth annual general meeting of Sime Darby Holdings Limited will be held on October 27th in Singapore.

The following is an extract from the circulated statement of the chairman, **Mr Angus Scott**:

The Group Profits before Taxation amounted to £900,928 as compared with £778,701. After deducting the amount required for tax, there remains £482,663 as against £440,469 in 1960. Certain Trade Investments were realised and the profit of £58,333 was placed direct to credit of Capital Reserve. Your Board is recommending a final dividend of 12½ per cent making 20 per cent for the year.

Continued prosperous conditions in Singapore, Borneo and the Federation of Malaya again allowed the Group to expand its trading activities and increase its profit.

It is too early to forecast the Group's likely results for 1961/62 and, of course, when operating in countries so dependent on the prices of rubber, tin and timber, prophesy of any sort has a large possible margin for error. However, results to date are similar to those of the corresponding period last year.

Your Board has given consideration to the substantial Capital Reserve of £890,333. The Directors have decided to absorb the bulk of this Reserve partly by making a scrip issue to members in the proportion of one new share for every five shares held and partly by the creation of a Property Reserve.

THE ECONOMIST OCTOBER 7, 1961

THE HEPWORTH IRON COMPANY LIMITED

PRODUCTION AND SALES AT HIGH LEVEL

The sixty-fourth annual general meeting of The Hepworth Iron Company Limited was held on September 27th at Hazlehead, nr. Sheffield, **Mr. J. F. Booth** (the Chairman) presiding.

The following is an extract from his circulated statement:

The Group has again had a good year of trading. The increased activity in the Building and Electrical Industries was maintained throughout the year, and this improvement in demand for our products has helped the trading results for the year. A successful year has also been experienced by the machine tool section of our business.

The accounts of the Group reflect the acquisition of two additional Pipe Manufacturing businesses carried on by Fred Temperley & Sons Limited and its subsidiary J. Duckett & Son Limited. Both subsidiaries have made their contributions to the profits of the Group.

We are determined to continue to improve and modernise our production methods. The plans for the new plant have been taken a stage further by the placing of orders. At the 31st March, 1961, outstanding contracts for capital expenditure amounted to approximately £270,000 and since the year end further substantial contracts have been placed for the equipment required.

Research is continuing and the research and development section of our activities has been expanded.

EXPANSION OF OPERATIONS

Since the year end our subsidiary, Fred Temperley & Sons Limited, has acquired the whole of the issued capital of Herbert Brook & Co. (Fireclay) Limited which has been engaged in the production of Glazed Ware. In addition we have acquired a controlling interest in the issued share capital of La Brecque Engineering Co. Limited. This Company is engaged in the production of Plastic Rainwater Goods.

A further step taken has been the formation of a new wholly owned subsidiary—Hepworth Electrical Developments Limited. It is intended that this company should continue the manufacture and sales of electrical cable jointing components which the parent company has developed in recent years.

It still remains the policy of the Board to expand the business out of profits so far as possible and it will be obvious that to finance the developments a careful husbandry of the Group's resources is of vital necessity.

So far as the current year is concerned, production and sales remain at a high level but it must remain to be seen what effect the Chancellor's recent actions will have upon that section of the country's economy with which we are concerned.

The report and accounts were adopted and a dividend of 7½ per cent was approved. At a subsequent extraordinary general meeting resolutions increasing the authorised share capital to £1,250,000 by the creation of 2,000,000 additional 5s. Ordinary Shares and giving effect to a one-for-three scrip issue were duly sanctioned.

THE ECONOMIST OCTOBER 7, 1961

SAINT-GOBAIN

COMPAGNIE DE SAINT-GOBAIN PARIS

The Annual General Meeting of SAINT-GOBAIN S.A. was held on June 26th, and the following are details of the report presented by the Board of Directors:

REVIEW

Business activity in the various establishments was brisker in 1960 than in 1959, progress in sales being generally only limited by production capacity. This was the case particularly for sales of polished plate glass and drawn glass.

The Company devoted NF 33.75m to pure and applied research in 1960, which was 2.8 per cent of the turnover of its own factories in Europe and of its hollow glass-ware subsidiaries.

GLASS

The following ventures were undertaken in this field during the year:

Work began on a new production unit of 6, and finally 8, Pittsburgh machines at Aniche, to cater for the increase in the French market for window glass.

Following certain measures of concentration in the field of hollow glass-ware, the Company began extending its works at Vauxrot and at La Chapelle-Saint-Mesmin, as well as building a completely new factory at Cognac.

At the same time, work began on a fibreglass factory at Etten in the Netherlands.

Outside Europe, building of the Greenland Glassworks in the United States is continuing and is due for completion in 1962.

Finally, agreements which were concluded towards the end of last year have enabled the Company to acquire certain interests in the Brazilian glass industry.

CHEMICALS

In the chemical sector, the agreement on common interests reached in December 1959 between SAINT-GOBAIN and Pechiney began to take effect, and since November 1960 sales of the chemicals and minerals produced by both companies have been undertaken by Société Produits Chimiques Pechiney-Saint-Gobain, a company set up in December 1959.

The following ventures were undertaken as part of a large programme of new works:

At Le Havre, a new sulphuric acid plant using the sulphur contact process.

Two nitric acid plants at Saint-Fons and Rouen and a vinyl chloride polymerisation plant at Saint-Fons.

A fertiliser granulating plant at the Bordeaux works.

A phosphoric acid plant, two phthalic anhydride plants, and a maleic acid unit at Chaunay.

A new sulphuric acid contact plant at l'Osierie (now in service), as well as two new fertiliser granulating plants at Balaruc and Chaunay.

Increased capacity for monomer vinyl chloride and polyesters was installed at the Saint-Fons works.

Turnover on sales of finished products showed the following increases over the previous year:

COMPANY MEETING REPORTS

Mineral products for industry: 15 per cent.

Mineral products for agriculture: 8 per cent.

Organic products: 22 per cent.

Among associated companies, Fabriques de Produits Chimiques de Thann et Mulhouse are building a sulphuric acid plant.

In the industrial complex now being built at Lacq, in which the Company is interested, the acetylene and heavy hydrogen plants of Aquitaine Chimie, as well as the acetaldehyde plant belonging to Acetalacq have come into operation.

PAPER AND OIL

In the papermaking industry, a considerable structural reorganisation took place in the Cellulose du Pin Company, in which SAINT-GOBAIN has a majority holding. Two other companies were merged with Cellulose du Pin during the year, and the Bègles works, which SAINT-GOBAIN had bought from Cenpa, was also taken over. Production rose, the increase varying between 9 and 21 per cent among individual factories. For the whole of the Group, output reached 173,000 tons of pulp and 113,000 tons of paper. The turnover before tax amounted to NF 168.5m.

Finally Compagnie de Raffinage Shell-Berre, in which SAINT-GOBAIN is interested through

PURCHASING OFFICERS ASSOCIATION

At the recent Annual General Meeting held during the 1961 Conference, the National Chairman, **Mr J. Murray Grammer**, reported that the Association's total strength had risen to 5,663, made up of 4,426 members and graduates and 1,237 students. The enrolment of students during the past year was 50 per cent greater than in the previous year.

The Association had again been very active in education. A notable innovation was a Course for Stores Controllers held concurrently with the Buyers' Refresher Course. The demand for places had been so great that a repeat Course had just been held. Storekeepers who have been awarded the Association's "Certificate in Storekeeping" are now to be offered certain services and facilities.

KEITH, PROWSE & COMPANY, LTD.

MR PETER CADBURY'S REVIEW

At the Sixtieth Annual General Meeting of Keith, Prowse & Company, Limited, held in London on September 28th, **Mr Peter Cadbury** welcomed new Shareholders who for the first time in the 180 years since the business was first started had been able to invest in the Ordinary Shares of the Company. Although the fortunes of the Company had varied since its incorporation in 1902, Mr Cadbury hoped that his policy of putting back all available profits since he assumed control in 1954 would result in greater stability in the future.

During the past seven years other Companies had been acquired so that Keith, Prowse now controlled about 70 per cent of the Theatre Ticket Agency business in the Country and had developed other commercial interests. The Profit before taxation this year was £126,386, which compared with £65,439 in 1960 and £33,355 in 1959.

The Issue of 450,000 new Ordinary Shares in

Compagnie des Produits Chimiques et Raffinerie de Berre, brought into production a new distillation unit at its Petit-Couronne refinery. Crude oil tonnage processed by Shell-Berre rose to 7,320,000 tons in 1960, representing 22.3 per cent of total French refinery through-put.

The overall picture for 1960 showed SAINT-GOBAIN making an intensive investment effort, both in new plants and in increased shareholdings, reaching a total of NF 298.8m. including newly transferred assets. Investments in 1959 totalled NF 219.42m.

The extent of the Company's activities in the nuclear field led to the setting up of a new subsidiary, Saint-Gobain Nucléaire, during the year.

PROFIT AND DIVIDEND

After depreciation and the usual allowances for reserves and other provisions, the balance sheet for the year under review shows a profit of NF 39,960,226. This allows a net dividend of NF 6 to be distributed on each of the 5,167,961 shares constituting the capital on December 31, 1960. The 1959 trading profit had been NF 33,417,935 and allowed a net dividend of NF 5.50 on each of 5,024,055 shares.

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

In his Presidential Address to the Conference, **Mr W. H. Parry** said that a rise in our visible exports of about 6 per cent or £200 million a year would be required to repay our recent borrowing from the International Monetary Fund and to cushion the adverse trend of our invisible exports. This increase would only be sufficient to prevent any further deterioration in the present precarious balance of payments position.

Abroad, the President felt that the Government could do more to improve our "image" by presenting trade statistics in a truer light by abandoning the old Customs habit of showing exports fob and imports cif. The more complicated calculations would show that in most months we earned a surplus. Again, we published our reserve figures without taking into account such items as official holdings of dollar securities.

March was 77 times over-subscribed and, as forecast in the Prospectus at that time, it is recommended that an Ordinary Dividend of 17½ per cent be paid, which is covered 2.23 times by the profits available for distribution. After providing over £100,000 in taxation over the last two years, the Balance Carried Forward is £84,577.

The sales of Theatre Tickets, Gramophone Records and Travel had all increased this year. Westward Television Limited had been incorporated in 1960 from the Syndicate, formed by Mr Cadbury, which had been granted the Licence as Independent Television Contractors for the South West, and started transmissions in April, 1961. Mr Cadbury had every confidence in the value of the investment made by Keith, Prowse in Westward.

Mr Cadbury asked all Shareholders to identify themselves with the Company by supporting Keith, Prowse as customers and acting as its ambassadors. He thanked the staff for their loyalty and particularly those who had contributed so much to the fortunes of Keith, Prowse and Associated Companies over the past seven years since he had been Chairman.

The Report and Accounts were adopted.

*These Shares having been sold,
this announcement appears as a matter of record only.*

NEW ISSUE

1,069,451 Shares

The Western Union Telegraph Company

Common Stock

(Par Value \$2.50 Per Share)

*The offering of these Shares, through a rights issue to stockholders of the Company,
was underwritten by an investment banking group managed by the undersigned.*

Kuhn, Loeb & Co.

New York, N. Y., October 4, 1961

Lehman Brothers

KINTA KELLAS RUBBER

The 51st annual general meeting of Kinta Kellas Rubber Estates, Limited, was held on September 28th in London, Mr. J. R. Tannock (the chairman) presiding.

The following is an extract from his circulated statement:

Our accounts show that the year's profit has hardly differed from that of the previous year. Though the crop continued to rise by 34,800 lb., its proceeds fell in comparison with the previous year by £8,677, but its production cost only receded by £1,794. Export duty, however, was down, taking £6,764 less. The net profit, before taxation of £28,486 representing some 38 per cent. of the profit, rose by £5,975. The explanation is the rise in our trade investments' income, tin royalty, and tribute income.

COMPANY MEETING REPORTS

A final dividend of 17½ per cent is recommended which with the interim of 7½ per cent. paid is on a parity with last year's distribution of 37½ per cent on the lower issued capital. While results to date are satisfactory, owing to the lower market average price which we may expect to obtain throughout the period, it is unlikely that the present rate of dividend will be maintained for the current year.

During the current year it is estimated that the crop will attain 1,825,000 lb., but for the four months ending July, the harvest indicates that though the trend will continue upwards the estimate may not be obtained.

Having reviewed the company's replanting programme, the chairman said: The estates are in good heart, and though the result has in no way been exciting, it has been quietly progressive.

The report was adopted.

FITCH LOVELL LTD.

SIR AMBROSE KEEVIL REPORTS CONTINUED PROGRESS

The Annual General Meeting of Fitch Lovell Ltd was held on September 29th in London.

The following is an extract from Sir Ambrose Keevil's circulated review:

I am most gratified to record our turnover exceeded, for the first time, £100,000,000 and that the net profits before taxation increased by 20 per cent, reaching a record figure of £1,416,692.

Factories. Automation, wherever possible, is being introduced and results should be progressively apparent.

Decentralisation. Traffic congestion in London is such that two of our largest companies have moved or are moving this autumn, from the City of London to new warehouses and factories. This should effect considerable economies.

Common Market. Although we are well established in most parts of Western Europe, we have now acquired a considerable interest in two factories in the Common Market area.

Capital and Profits. The increase of over £10,000,000 in our turnover, the development of our factories, the modernisation and extension of our retail branches and our overseas interests have meant a considerable capital outlay, the benefits of which I am hopeful will be shown in the future. Some of our companies this year have done very well, others not so well but the diversification of our interests has enabled us to present record profits. These are fairly evenly divided between our main sections of Manufacturing, Importing, Wholesaling, Retailing and Overseas Trade.

Having reviewed the Group's widespread activities, the chairman continued: Shareholders will have noticed the large amount of property owned by the Group. Some of this property has not been valued for very many years and we have considered it wise to have professional advice on development potentialities and values.

I am pleased to inform you that the first quarter of this year shows a small increase in sales and profits, but the year is still young and it would be unwise to forecast the results of a trade which is open to severe competition, Government legislation and the economic state of the country, but it is certain that all our companies will do their best once more to achieve record results.

HACKBRIDGE HOLDINGS LIMITED

The thirteenth Annual General Meeting of Hackbridge Holdings Ltd. was held on September 28th in London, Mr A. L. Foulger (the chairman) presiding.

The following is a summary of his circulated statement for the year ended 31st March, 1961:

Much emphasis has already been placed upon the exacting competition in the Electrical industry, and although our volume of output was well maintained, profit margins were reduced. The results achieved were not unexpected, and I hope you will agree that they are not unreasonable having regard to relevant circumstances.

I am glad to report that the new acquisitions referred to in my last report have operated successfully.

Your Board consider that there are great possibilities for expansion within our present Group of Companies. Nevertheless this view should not preclude the acquisition of any sound proposition which would ultimately benefit our organisation.

During the year we established a new company, Kelvin Metal Industries Limited, which is engaged in metal fabrication for the Group and other customers; this venture should prove a valuable asset.

The Group trading profit before providing for depreciation was £299,969 compared with £301,140. Provision for taxation absorbs £115,667—a considerable burden, exceeding 65 per cent of our profits after charging depreciation of £123,452.

Capital expenditure during the year amounted to £72,287. Modernisation and improvements to our manufacturing technique, the expansion of production, and the introduction of new lines require continued capital expenditure.

We are constantly seeking to introduce additional manufactures in order to further diversify our range. The Group has played an extremely important part in the introduction and development of Air-Cooled Mining Type Transformers in this country and substantial business has resulted.

The Group commenced the current year with extensive order books and to date the demand for our products has been encouraging.

Judging by our experience so far we may look forward once more to quite satisfactory results.

The report was adopted and the final dividend of 7½ per cent, making 10 per cent for the year, was approved.

THE ECONOMIST OCTOBER 7, 1961

THE CHARTERED BANK

EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting of the stockholders of The Chartered Bank was held at 38, Bishopsgate, London, E.C.2, the Head Office of the Bank, on Wednesday, October 4th.

The chairman of the Bank, Mr V. A. Grantham, presided.

Mr W. G. Pullen, Chief General Manager, read the notice convening the meeting and the Chairman then moved the following special resolution:

"That the capital of the Company be and is hereby increased by £4,500,000 by the creation of 4,500,000 new Shares of £1 each and that such Shares shall upon being issued fully paid, or credited as fully paid, be converted into Stock."

The resolution was seconded by Sir Henry Richardson and carried.

The Chairman intimated that at the conclusion of the meeting the Court of Directors would allot to stockholders on the register on 21st September, 1961, 1,100,000 new shares of £1 each in the proportion of one new £1 share for every £5 stock held at a price of 40s. per share, thus raising the issued capital of the Bank from £5,500,000 to £6,600,000. The Chairman also intimated that there was no present intention of issuing the balance of the increased authorised capital.

MALAYALAM PLANTATIONS

RECORD CROPS

The fortieth annual general meeting of Malayalam Plantations Limited will be held on October 26th in London.

The following is an extract from the circulated Statement of the Chairman, Mr John Sands, for the year ended March 31, 1961:

Conditions during most of 1960/61 were very favourable. Until towards the end of the season, exceptionally good weather was experienced in all districts with the result that crops of both tea and rubber were the highest in the history of the company, the average yield being 1,006 lb. per acre of tea and 549 lb. per acre of rubber tapped. These crops would have been even greater if it had not been for a severe drought in the closing months.

The profit for the year before taxation is £1,264,463 against £782,245 for 1959/60. Taxation is, of course, correspondingly larger but, after that has been deducted, the remaining profit is approximately 30 per cent greater than that for the previous year. The Board propose a final dividend of 12 per cent, making a total of 18 per cent for the year.

Weather conditions so far this season have been very adverse. Up to the end of August, the tea crop shortage was some 1½ million pounds compared with the same period of 1960/61 and it is unlikely that this shortage can be made up even if normal weather is experienced for the rest of the year.

On the other hand, the outlook for rubber is much brighter. At the end of August crop was about 135,000 lb. ahead of that for the corresponding period of 1960/61 and we have every reason to hope that the estimate of 8,438,000 lb. will be exceeded.

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GEORGE HUMPHRIES & CO. LTD.

DIVERSIFICATION OF GROUP'S INTERESTS

The annual general meeting of George Humphries & Co. Ltd., was held on September 26th in London, Mr P. Adorian, FCGI, MIEE, MBritRE (the chairman), presiding.

The following is an extract from his circulated address:

Your Directors have been active in diversifying the Group's interests so as to build our increased trading on wider foundations.

Last year we acquired 50 per cent of the Colour Processing Laboratories (St. Albans) Limited and this year we have acquired further shares in this Company increasing our holding to 66½ per cent.

The Group's activities may now be summarised under the following headings—Humphries Laboratory Division: Mole-Richardson (England) Limited; Mole-Richardson Granville Studio Division: Mole-Richardson subsidiaries in France, Germany, Italy and Spain; De Lane Lea Processes Limited (and subsidiaries); and Colour Processing Laboratories (St. Albans) Limited.

The Laboratory Division is operated direct by the Company and the remaining operations are

COMPANY MEETING REPORTS

operated through the subsidiary companies in which we have interests varying from 66½ per cent to 100 per cent.

THE YEAR'S OPERATIONS

With the exception of the two youngest enterprises, the Granville Studio Division of Mole-Richardson (England) Limited, and Colour Processing Laboratories (St. Albans) Limited, which are on the way to becoming profitable, every one of our operations has had a profitable year.

The amount of orders received for cinema release film printing, which is the main business of the Laboratory Division, still shows a decline, but other specialised work, such as non-theatrical films and films for television, has increased. During the year the management introduced various measures to increase the efficiency of the laboratory and this has resulted in improved financial results for the Division. Admittedly, the much overdue increase in our prices has helped to absorb the wage increases and the increased cost of other services.

A CREDITABLE CONTRIBUTION TO THE NATIONAL ECONOMY

Mole-Richardson (England) Limited has had a most active year both in the sale and rental of its manufactured products and, with the co-operation of the continental subsidiary companies, it has been possible to sell or rent lighting and other specialised studio equipment in almost every country in Europe where films are

made or television programmes are originated. Indeed it is very rarely that one sees great films today, made either in the UK or on the continent of Europe, where the lighting and many other studio facilities have not been provided by one of the Mole-Richardson companies. Your Company, by the export of its products and know-how, is making a creditable contribution to the national economy.

The availability of the Granville Studio for demonstrating studio equipment to home and foreign buyers is of special value in our sales drive. At the same time, this Studio has provided a useful base for the production of television programmes for this country, the USA and Australia and is also used by various organisations for the production of television commercials.

The demand for the services of De Lane Lea Processes Limited, for the dubbing of film and television programmes and for other high quality sound recording operations, has been sufficient to justify opening a second studio which we hope will bring a contribution to the results of the next financial year.

The Group profit for the year, after tax, attributable to the Company is £147,272 as against £87,838 for the previous year and the Directors recommend a payment of a dividend of 27½ per cent less tax.

It should be borne in mind that remittances of profits of some of our foreign subsidiaries are still subject to currency restriction.

The report and accounts were adopted.

APPOINTMENTS

TRADES UNION CONGRESS

Vacancies for Departmental Assistants. Duties include preparation of memoranda, reports, and some lecturing. Applicants should be adaptable, interested in trade union affairs, and have education and/or experience suited to work involving any one of the following: economics, production, education, health and safety, trade union organisation. Commencing salary up to £1,075 according to age. Application forms obtainable from the General Secretary, Trades Union Congress, 23/28 Great Russell Street, W.C.1, to be returned by October 20.

NIGERIAN INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH

UNIVERSITY COLLEGE, IBADAN, NIGERIA.

Applications are invited for:

(a) Senior Research Fellowship in Economics.

(b) Research Assistantship. Duties include keeping field data and research material, compilation of reference bibliographies, and building up information on unpublished sources and general assistance in research projects. Ability to type and knowledge of French desirable.

Appointments on contract for three years.

Salary scales: (a) £2,275 p.a. (over 28 years).

(b) £950 p.a. to £1,100 p.a. Entry according to £1,050 p.a. to £1,150 p.a.

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LANCASHIRE COUNTY COUNCIL

RESEARCH ASSISTANT required in the Planning Department at Preston. Commencing and maximum salary according to qualifications and experience within range £645-£1,310 per annum. Applicants should possess a good honours degree in economics, geography, sociology or related subjects and should be interested in problems of industry, population and housing. Applications, giving age, qualifications, present appointment, experience and two referees, to the County Planning Officer (J), East Cliff County Office, Preston, by October 17, 1961.

UNIVERSITY OF WESTERN AUSTRALIA

SENIOR LECTURESHIP IN ECONOMICS

Applications are invited for appointment to the above-named position in the Faculty of Economics and Commerce. Preference will be given to applicants with interest and experience in fields of Economic Theory, Public Finance or History of Economic Thought and Nineteenth Century Economic History.

The salary for this position is £42,450/100/2,950 per annum with superannuation similar to F.S.S.U.

The appointee will be required to take up duty as early as possible in 1962.

It is important that intending applicants obtain details of the procedure to be followed in applying for the post and a copy of the Conditions of Appointment before submitting their applications. This information is available from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close, in Australia and London, on November 25, 1961.

GOVERNMENT OF TANGANYIKA

An Economist/Statistician is required in the Tanganyika Treasury. Candidates, who must be under 40, should possess a good Honours Degree in Economics. Some knowledge in desirable of statistical methods, and of experience of work in government or a commercial, economic or statistical organisation or post-graduate research in economic analyses. Duties will consist of the analysis and interpretation of economic trends, and economic statistics. Appointment on contract for one year of 21-27 months in first instance. Inclusive salary, depending on experience, in scale £1,221-£2,448. Contract usually 25 per cent of total salary, gratuity, and pension. Local Income Tax. Free passage. Generous home leave and education allowance. Free medical attention. Apply, in first instance, with summary of personal particulars, to Director of Recruitment, Department of Technical Co-operation, Carlton House Terrace, London, S.W.1, from whom further details may be obtained. Please quote reference number RC 206/145/03/A3 and state full name.

RESEARCH FOR GRANADA

Would you like to work on Granada's current affairs programmes, like PEOPLE AND PLACES, WHAT THE PAPER SAYS AND ALL OUR YESTERDAYS, and on social and political subjects, like INSANITY OR ILLNESS, THE PILL and SHADOW OF IGNORANCE? Are you ready to work odd hours and do unusual jobs? Have you experience that qualifies you for this kind of work? To write a brief biography to:

Norman Price,
Granada TV,
Television House,
Manchester, 3.

Vacancies for STATISTICIANS (2)

In the Central Statistics Office, Dublin. Salary Scale: £3,780 p.a. to £5,780 p.a. (20 years' experience) or £3,780 p.a. to £5,780 p.a. (15 years' experience). Entry point on salary scale will depend on qualifications and experience. (a) First or Second Class Honours Degree (or equivalent) in Mathematics or Mathematical Physics or Mathematical Statistics; or (ii) First or Second Class Honours Degree (or equivalent) in Economics with aptitude for Mathematics; or (iii) First or Second Class Honours Degree (or equivalent) with aptitude for Mathematics and adequate experience in practical statistical work.

Note: A person awaiting conferring of his degree will be admitted provisionally. Application forms, etc., from Secretary, Civil Service Commission, 45, Upper O'Connell Street, Dublin, 1. Latest time for receiving completed application forms, 5 p.m. on October 24, 1961.

THE NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH

has a vacancy for Research Officer (salary scale £1,050 p.a. to £1,700 p.a. and family allowances). Appointment for two or three years, open to renewal thereafter, to join team studying long term prospects of British economy. Appointment to begin not later than January, 1962. Good degree in economics essential, preferably with statistics. Previous research experience desirable. Applications by October 31, with curriculum vitae, to the Secretary, NIESR, 2 Dean Trench Street, Smith Square, London, S.W.1.

For further appointments and other classified advertisements see pages 89 and 90.

THE AUSTRALIAN NATIONAL UNIVERSITY

Research Scholarships

Applications are invited for scholarships in Anthropology and Sociology (including Oceanic Linguistics), Demography (including social and cultural aspects), Economics (including Economic History and Economic Statistics), Geography (most branches but not at present with any emphasis on soil geography and climatology), Modern History (particularly in the fields of Australia and the British Commonwealth), Far Eastern History (China and Japan), International Relations, Law, Pacific History, Political Science (including public administration), Philosophy (including, as well as the traditional branches of philosophy, social and political philosophy, the philosophy of education, the logic of the natural and social sciences and of history, the history of ideas), and Statistics (including Mathematical Statistics).

Applicants should be post-graduate students with capacity for research. Scholars will normally enrol for a Ph.D. degree, the course for which extends over three years. A scholarship is initially awarded for two years but will normally be extended for the whole period of the approved course.

The basic scholarship allowance is £4,950 per annum. Married scholars with children receive additional allowances for dependants. A grant will normally be made towards travel costs.

Application forms and further particulars are available from the University or from the Secretary, The Association of Universities of the British Commonwealth, Marlborough House, Pall Mall, London, S.W.1. Applications should reach the University by April 30 or October 31 in any year, although special consideration may be given to applications at other times. Scholarships may be taken up at any time after award, subject to agreement of the Head of Department concerned.

D. K. R. HODGKIN,

Institute of Advanced Studies,

Box 4, G.P.O.,

CANBERRA, A.C.T., AUSTRALIA.

A substantial knowledge of the relevant language is a pre-requisite.

COMPANIES

Glaxo

THE 10s. ordinary shares of Glaxo have taken a hard knock since last April's disappointing interim statement and they had fallen from a peak of 73s. 9d. to 52s. 4½d. before this week's final figures for the year to June 30th. At the half-year Glaxo's sales had risen by 3 per cent in value and even more in volume but narrower profit margins had brought a 4 per cent fall in trading profits and an 8 per cent fall in net profits compared with the same period in 1959-60. Shareholders were told that competition was particularly keen in overseas markets, which account for about 60 per cent of the group's turnover and they were warned that the severe competition was likely to continue. The full year's results, however, do not make such gloomy reading as had been expected, though the acquisition of Evans Medical makes an accurate comparison difficult. Group net profits for the year fell slightly from £3,760,000 to £3,718,000, but the contribution of Evans Medical amounted to £258,000 and after deducting this sum together with previous year's profits and outside interests a truer comparison is between a profit of £3,226,000 in 1960-61 and £3,496,000 in 1959-60. This is a fall of about 8 per cent which is in line with that reported in April.

As forecast when the offer for Evans Medical was made, the ordinary dividend is to be 15 per cent against the equivalent of 14.4 per cent with the final 9 per cent paid on the shares issued to shareholders of Evans Medical. Earnings including a year's contribution from the new acquisition amount to 48 per cent and still cover the dividend over three times. In the absence of full turnover figures it certainly seems that Glaxo has at least been able to check any further squeezing in margins notwithstanding the continuing fierce competition in the pharmaceutical industry. The shares at 56s. 9d. now yield a modest 2.6 per cent but the earnings yield is 9½ per cent.

Calico Printers Association

IN the year to June 30th last Calico Printers' Association received £2.2 million from its royalty income on "Terylene" and other patents and this exceeded for the first time the group's gross profit of £1,948,000 from its normal trading interests. It is therefore vitally important for CPA shareholders to know how much the company can expect to receive from these royalties in the next few years. The British patents expire in July 1963 but foreign royalties are expected to continue at their present levels until 1966. For the six months to December 31st last about 70

per cent of all royalty income came from these foreign patents but for the whole year the British contribution was relatively higher, so that foreign patents contributed slightly over 60 per cent of the total income. On this basis of contributions about two-fifths of foreign income would cease after 1966, one fifth after each of the next two years and the remaining one-fifth would continue until 1968-69. In making these forecasts Mr Roger M. Lee, the chairman of CPA, points out that it is impossible to foresee how the income from individual sub-licensees may change while the foreign patents remain in force.

Normal trading profits held up quite well last year and the fall in profits before tax from £2,270,000 to £1,948,000 was largely accounted for by the continuing losses of the United Turkey Red Company. In commission printing sales declined, particularly to the home trade, hit by two poor summers, while the merchanting side of the business has been reorganised and streamlined. The difficulties of CPA have been increased by large imports of printed cottons which the chairman believes "amount to little more than dumping" and which may soon reach a level where they will offset the printing capacity eliminated by the industry's reorganisation scheme. The 5s. shares at 12s. 3d. yield almost 9 per cent on the ordinary dividend of 21½ per cent. After a higher interim dividend the final payment was effectively maintained at the 1959-60 level in deference to the appeal by the Chancellor of the Exchequer for dividend restraint. This restricted payment is covered about 3½ times by total earnings and about 1½ times by earnings solely from normal trading.

Electric and Musical Industries

THURSDAY'S gloom over the interim results from ICI was lightened somewhat by the full year's results from Electric and Musical Industries. The discouraging news from so many other companies in the television and domestic appliance fields had led many investors to fear some fall in profits despite the continued buoyancy of the gramophone records business. It was no doubt this buoyancy that contributed most to the substantial rise in group sales in the year to June 30th, 1961, from £68.7 million to £82.4 million. But as the chairman, Sir Joseph Lockwood, warned shareholders last December, costs were continuing to rise and profit margins on sales have fallen from 10.1 to 9.5 per cent. The upshot is to leave the group trading profit £905,000 higher at £7,836,000. After higher charges for depreciation and interest, profits before tax rose by only 4 per cent from £5,221,000 to £5,448,000.

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These are the first results from the group since the Morphy-Richards and Ardent acquisitions in September of last year, but these companies accounted for only £278,000 of profits before tax. This works out to an annual rate of about £370,000 and with Ardent believed to be earning pre-tax profits at an annual rate of about £100,000 it suggests that Morphy-Richards' profits were no more than £270,000 against £1,200,000 in 1959-60. Clearly Morphy-Richards has been hit heavily by the impact of credit restrictions, even though the company makes a number of smaller appliances. But it was not only in this country that the group suffered from government restrictions for in Australia too EMI's subsidiary showed a sharp fall in profits.

The dividend as expected has been maintained at 17½ per cent on the larger capital, but with earnings per share down from 39.1 to 33.8 per cent the cover for the payment has been cut to 1.9 times. Shareholders will no doubt wonder how soon the Morphy-Richards business, which was not acquired cheaply, can be put back on a really profitable basis. The directors say that heavy expenditure was incurred last year in the integration of the Gramophone Company's domestic appliance business with that of Morphy-Richards; the worldwide EMI sales organisation should improve the sales of Morphy-Richards appliances in overseas markets. But this may take some time, and the 10s. shares at 37s. 6d. stand some 28 per cent below their peak for this year. They now yield 4.7 per cent.

Astley Industrial Trust

THE sharp fall in profits from Astley Industrial Trust came as no surprise, following the sorry story hire purchase houses have told in the past year. In March shareholders were warned that bad debts were heavier than normal and that this combined with high interest charges had had an adverse effect on trading results in the first half of the year. Notwithstanding the interim dividend was maintained at 6 per cent. It is not clear whether lower interest rates in the second half of the year brought any improvement in earnings but profits before tax for the full year to June 30th fell from £710,000 to £370,000 and net profits from £330,000 to £207,000. Earnings, which included a full year's contribution from Rootes Acceptances, are down from 24.4 to 13.7 per cent, which just covers the ordinary dividend; with a final payment of 7 per cent this totals 13 per cent, against 16 per cent for 1959-60.

It is to be hoped that in the full accounts the chairman, Sir Stanley Bell, will tell shareholders how much of the fall in profits was due to bad debts. But the group's confidence in the future seems undiminished, as evidenced by further acquisitions of businesses in Ireland and the west country. Before these results the 5s. shares, of which District Bank has a substantial holding, stood at their low points for the year, but the shares now stand 1s. above this at 16s. 6d. to yield 4 per cent.

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Plessey

THE formal offers from Plessey for Automatic Telephone and Electric and Ericsson Telephones also embody an advance preliminary profits statement from Plessey for the year to June 30th last. Unaudited figures show profits at £4,100,000 compared with £4,190,000 for the previous year. The fall in actual trading profits has been cushioned by a sharp increase of £634,000 in investment income. As expected, Garrard Manufacturing in its first year as a member of the group contributed a small loss and the major fall in profits came from that side of the business supplying the television and domestic appliance markets. This is believed to account for about one quarter of the group's total turnover, but better profits were recorded by other parts of the business serving among others the motor, aircraft and electronics industries. Plessey is also a substantial supplier of telephone equipment and telecommunications equipment, as are Ericsson and ATE, and the merger should enable large economies to be made both in manufacturing and research.

For the current year the Plessey directors expect that profits should be "as good as those" for 1960-61 and have already forecast a dividend of 15 per cent on the capital to be increased by the acquisitions. The ordinary capital has already been increased by last month's one-for-three scrip issue and the forecast payment compares with an equivalent dividend of 12½ per cent for 1961, which looks to be covered 1.8 times. But working from the latest figures it seems that the forecast payment would be covered about 1½ times, indicating some dilution of earnings as a result of the merger. Plessey will find no difficulty in meeting the cash portion of the merger scheme amounting to nearly £2 million, for at June 30th last its holdings of cash and investments amounted to £16½ million, boosted by the £9½ million proceeds of last year's rights issue. Clearly the group is well placed to meet further expansion; the 10s. shares at 40s. 3d. now ex the scrip issue yield just under 3.7 per cent on the forecast payment.

Rio Tinto

THE complexity of Rio Tinto's mining interests in Canada is not entirely of its directors' choosing since tax and commercial considerations play an important rôle in determining the group's structure. However, a series of deals designed primarily to avoid a possible conflict of interests between Rio Tinto Mining Company of Canada and Rio Algom Mines also forms another step in the simplification of the group's holdings. At the beginning of 1960, Tinto Holdings, a wholly-owned subsidiary of the London company, held 54 per cent of RTMC's equity, but this was enlarged to 84 per cent by the purchase of a large block of shares from a former associate. The group's beneficial interest in

Rio Algom through RTMC and Preston Mines then amounted to 40 per cent. RTMC has been diversifying its projects and Rio Algom, into which Rio Tinto's uranium interests in Canada were transferred following last year's reorganisation, will clearly need to follow suit.

Under the proposed scheme, Rio Algom will buy for about \$7.1 million RTMC's technical and administrative machine, its exploration and development projects and other assets, including investments in Africa valued at about \$1.6 million. (Within the next year these can be sold back to Tinto Holdings at cost.) For the next 15 years, the Rio Tinto organisation will refer to Rio Algom all business openings in Canada that come to its knowledge. In return, Tinto Holdings will get an option on 500,000 unissued shares in Rio Algom at the price current when the agreement was being negotiated. The Canadian field has therefore been left clear for Rio Algom, and Tinto Holdings will receive a sizeable cash distribution as well as shares in Rio Algom and Preston Mines when "a substantial part" of RTMC's assets are distributed to shareholders. The cash will help to finance an offer for between 750,000 and 1,250,000 shares in Preston Mines at \$7.20 a share which will require from \$5½ million to \$9 million. When these transactions have been completed, it is intended that Tinto Holdings will hold about half of Rio Algom's equity, in keeping with Rio Tinto's policy of sharing its projects with local investors.

Capital and Counties

THE main interest in the full report from Capital and Counties Property is the terms of the proposed loan of £18.3 million by Norwich Union and Prudential Assurance. The insurance companies will have the right to convert 20 per cent of the loan into equities so as to give a 6 per cent yield. At present Capital and Counties 5s. shares stand at 43s. 6d. to yield only 1.8 per cent, but Mr Leslie Marler expects income to rise to such a level that the conversion on the proposed basis would result in shares being issued at above the market price. The loan is being used to finance the big Knightsbridge Green development and the option will be exercisable for three years after the completion of the project or four years after the first issue of the debenture stock.

On this forecast the dividend would have to be trebled to show a six per cent yield on the current price, but Mr Marler says that the present earnings estimate may well turn out to be conservative. Thus shareholders should be able to look for a dividend of at least 50 per cent in what is likely to be another 6 or 7 years. On this assumption the insurance companies together would receive about a 15 per cent stake in Capital and Counties equity assuming the maximum amount of £18.3 million of the debenture was taken up. Norwich Union already has an 8 per cent interest in the Capital and Counties equity.

London Stock Exchange

FIRST DEALINGS:	Sept. 18	Oct. 2	Oct. 16
LAST DEALINGS:	Sept. 29	Oct. 13	Oct. 27
ACCOUNT DAY:	Oct. 10	Oct. 24	Nov. 7

OVER the past week to Wednesday equity prices drifted lower until on Tuesday the *Financial Times* index reached its lowest level for two years. As the account drew to a close before last weekend investment interest was small and the jobbers' reluctance to accept stock accentuated the fall in prices. The ICI results were slightly better than expected although profit margins were still clearly narrowing but they were not good enough to encourage the market; the news on Friday of a big fall in bank advances, together with bear and end account selling, combined to depress equities. The new account on Monday brought no improvement and the absence of buying interest continued; on Tuesday however there was much less stock on offer and the fall in prices was almost stemmed. By Wednesday favourable interpretations of the latest gold and convertible currency reserve figures helped to turn the tide of recent falls, but *The Economist* indicator lost 4.7 points over the week to 350.8, the lowest point since November, 1959. But a sharp rise in equity prices followed the announcement of the reduction in Bank rate on Thursday.

Throughout the week the firmest section of the gilt-edged market has been in short dated stocks although medium dated stocks were in demand on Friday and again on Tuesday. Among the shorts, Conversion 4½ per cent 1962 gained 3½ to 99½; the outstanding rise was in the scarce 2½ per cent Savings Bond 1964-7, which gained 1½ to 82½ xd. Many of the gains had clearly been on expectations of an early cut in Bank Rate and this was confirmed by Thursday's reduction from 7 to 6½ per cent.

Insurance shares gained this week, with Commercial Union 4s. 3d. higher at 65s. 3d. Bank shares showed small gains but hire purchase house shares were generally slightly down. Breweries remained steady but building shares closed lower, London Brick losing 1s. 3d. to 87s. 9d. Chemical share prices fell after the news of ICI's smaller margins and several stores shares lost small amounts including Marks and Spencer, 9d. down at 101s. 3d. though Debenhams were in demand following the rights issue.

Among electrical shares AEI fell on the dividend warning, but EMI rose by 9d. to 36s. 6d. Engineering shares fell back by small amounts and similar losses were evident in steel shares; Steel of Wales was an exception and late gains pushed the price up 4½d. to 34s. 3d. Press comment was partly responsible for a drop of 1s. in the price of Bowater Paper to 44s. 6d. but Unilever gained 5s. to 143s. on the news of the stock split. Motor shares were dull and ACV lost 4s. 3d. to 68s. 1½d. Textiles were also dull but oils made small gains and after early falls Kaffirs became firmer: Anglo American rose by 7½d. to 122s. 6d. and F. S. Geduld by 1s. 10½d. to 83s. 9d.

YORK STOCKS

Prices, 1961		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Sept. 27, 1961	Price, Oct. 4, 1961	Yield, Oct. 4, 1961	Cover	Prices, 1961		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Sept. 27, 1961	Price, Oct. 4, 1961	Yield, Oct. 4, 1961	Cover
High	Low									High	Low								
FOOD & TOBACCO																			
34/-	17/6	10 c	10 c	Allied Suppliers	10/-	18 1/2	18 1/2	5.52	2 1/4	62/-	43/-	20 a	60 b	Assoc. British Picture	5/-	48/-	47/3	6-35	2 3/4
15/-	7/9 1/4	10 a	12 1/2 b	Asoc. British Foods	1/-	12/3	12/-	1.88	2	34/6	26/9	20 a	40 b	Assoc. Television 'A'	5/-	304 1/2	30/3	9-92	1 3/4
74/-	55/-	4 a	8 b	Bovril	£1	57/9	57/3	4.19	2 1/2	51/9	41 1/4 1/2	16 a	14 b	Beecham Group	5/-	48/4 1/2	48/1 1/2	3-12	1 3/4
15/6	11/9	†4 1/2 a	12 1/2 a	Brooke Bond 'B'	5/-	12/10	12/9	4.26	3 1/4	54/3	32/-	31 a	63 b	British Match	£1	34/7 1/2	33/6	5-97	2
19/3	12/10 1/2	2 1/2 a	10 b	International Tea	5/-	13/11 1/4	13/6 3/4	4.61	1 1/2	28/4 1/2	17/-	62 1/2 b	4 a	British Oxygen	5/-	18/-	17/3	3-09	2 1/2
107/9	67/6	5 a	10 1/2 b	L Lyons 'A'	£1	67/6	67/-	4.73	1 1/4	13/-	8/4 1/2	7 b	3	De La Rue	5/-	38/6	38/6	4-61	2 1/2
35/6	25/9	9 b	5 a	Ranks	10/-	28/1 1/2	28/3	4.96	2	70/-	51/-	7 1/2 a	15 b	British Ropes	5/-	8/9	8/4 1/2	5-97	2 1/2
14/0 1/4	10/9	7 1/2 b	2 1/2 a	Spillers	5/-	11/3	11 1/4	4.49	2	50/-	31/9	6 a	14 b	Gestetner 'A'	10/-	52/-	51/-	4-61	2
55/-	42/10 1/2	9 b	3 a	Tate & Lyle	£1	45/3 1/4	45/3 1/4	5.53	2	73/9	52/6	6 a	9 b	Glaxo	10/-	55/-	54/6	2-25	3 3/4
20/10 1/2	15/7 1/2	5 a	9 b	Unigate	5/-	15/9	16/-	4.38	2	57/6	47/6	12 b	3 a	Harrissons & Cr. Delf.	£1	47/9	47/6	6-32	2 3/4
73/-	60/-	†12 1/2 c	†11 1/2 a	Brit. Amer. Tobac.	10/-	61/9	61/3	5.77	2 1/4	55/6	35/6	40 b	5	Hoover 'A'	£1	43/3	42/9	5-26	2 1/2
51/6	40/-	15 b	5 a	Galalher	10/-	41/6	40/9	4.91	2	28/-	19/-	12 1/2 b	5 a	Ilford	5/-	19/9	19/-	4-61	2
71/6	65/3 1/2	14 b	8 1/2 a	Imperial Tobacco	£1	68/-	66/9	6.74	1 3/4	107/3	56/3	7 1/4 b	4 a	I.C.T.	£1	91/9	88/9	2-54	2 3/4
MISCELLANEOUS																			
15/4	11 1/2 a	155 b	150 a	Britannia	5/-	125 1/2	125 1/2	3.40	40	78/9	45/-	12 1/2 c	10 b	National Canning	£1	45/-	45/-	5-56	1 1/4
86/3	61/-	20 a	25 b	Commercial Union	5/-	61/-	65/3	3.45	...	37/3	29/6	6 a	5	Powerful Duffryn	10/-	34/6	33/6	4-78	2 1/4
32	17 1/8	†41 1/2 c	†41 1/2 c	Equity & Law Life	5/-	27 1/2	27 1/2	1.04	...	30/3	24/7 1/2	15 b	7 c	Rentals	5/-	26/10 1/2	26/10 1/2	3-72	3
88/4 1/2	51/10 1/2	10 a	20 b	General Accident	5/-	70/3 1/2	70/9	2.12	...	37/6	18/9	7 1/2 a	15 b	Rank Organisation	5/-	25/3	25/3	4-46	2 1/4
60/6	42/7 1/2	40 b	35 a	Guardian	5/-	49/6	49/-	2.72*	...	43/3	32/10 1/2	16 1/2 b	7 1/2 a	Schwepes	5/-	35/3	33/9	3-56	1 3/4
39 1/2	23 1/4	80 a	110 b	Legal & General	5/-	33 1/4	34 1/8	1.37	...	39/-	27/6	20 c	25 c	Sears 'A'	5/-	32/-	31/3 1/2	3-99	2 1/4
146 1/2	100/-	8 1/2 a	11 1/2 b	Northern & Empl.	£1	127/-	127/-	3.15	...	28/4 1/2	21/7 1/2	8 1/2 a	11 1/2 b	Thomas Tilling	4/-	22/6 1/2	22/9	3-52	2
272/6	156/3	170 b	120 1/2 a	Legal & General	5/-	33 1/4	34 1/8	1.37	...	78/-	55/-	12 c	4 a	Turner & Newall	£1	60/3	57/10 1/2	4-15	2 1/4
49/3	38/10 1/2	†183 1/2 c	†208 1/2 c	Pearl	5/-	212/6	225/-	3.27	...	166/6	130/-	9.0420	15.5b	Unilever	£1	138/-	143/-	3-43	3 1/4
19/3	103/6	11 1/2 a	7 1/2 a	Prudential 'A'	4/-	21 1/2	21 1/8	3.11	...	111 1/2	8 1/2	8 a	13 b	Unilever N.V.	12.1l.	9 1/2	9 1/2	2-60	3 1/4
19/3	103/6	11 1/2 a	7 1/2 a	Royal	5/-	42/9 1/2	42/9 1/2	3.51*	...	22/6	16/-	10 b	5	United Glass	5/-	16/3	16/3	4-62	2 1/2
19/3	103/6	11 1/2 a	7 1/2 a	Royal Exchange	£1	100/9	103/9	3.61	...	42/1 1/2	30/6	14 1/2 a	†10 1/2 b	United Molasses	10/-	30/9	30/6	8-03	1
MOTORS & AIRCRAFT																			
18/10 1/2	13/-	12 1/2 b	7 1/2 a	British Motor	5/-	13/4 1/2	13/0 1/2	7.66	2 1/2	46/3	36/-	6 1/2 a	13 1/2 b	Brit. & Com. wealth	10/-	37/6	38/6	5-19	2
86/3	66/1 1/2	20 c	20 c	Jaguar Cars 'A'	5/-	80/3	80/-	1.25	7 1/4	20/-	13/9	8 c	6 c	Conard	£1	15/11 1/2	14/6	8-28	1 1/4
48/6	41/10 1/2	2 1/2 a	8 1/2 b	Rolls-Royce	£1	44/-	42/11 1/2	5.22	2 1/4	24/9	20/-	7 1/2 a	15 b	France Fawcok	£1	20/4 1/2	20/4 1/2	6-86	2 1/4
10/-	6/8 1/4	12 c	12 c	Rootes Motors 'A'	4/-	6/4 1/2	6/1 1/2	7.86	5 1/4	50/6	34/-	10 c	10 c	Furness Withy	£1	35/3	35/3	5-88	1
88/9	52/3 1/2	15 b	7 1/2 a	A.C.V.	£1	72/4 1/2	68/11 1/2	4.70	2 1/2	15/-	10/6	7 1/2 a	10 b	London & Overseas	5/-	11/7 1/2	11/11 1/2	7-87	...
18/6	79/-	15 c	20 c	Leyland Motors	£1	87/6	82/11 1/2	4.87	...	48/6	34/10 1/2	3 a	8 b	P & O Delf.	£1	36/10 1/2	36/9	5-99	1
33/3	27/10 1/2	9 b	3 1/2 a	Bristol Aeroplane	10/-	15/7 1/2	15/8 1/2	7.97	1 1/4	17/9	12/-	2 1/2 c	2 1/2 c	Reardon Smith	10/-	14/-	13/9	1-82	...
41/3	31/9	14 a	15 1/2 b	Hawker Siddeley	£1	18/6	18 1/2	7.54	1 1/4	25/-	13/7 1/2	8 c	5 c	Royal Mail	£1	14/3	13/9	7-27	...
28/10 1/2	21/6	3 a	12 1/2 b	Dowry Group	10/-	34/4 1/2	34/11 1/2	4.55	2 1/4	74/10 1/2	52/7 1/2	6 a	10 b	Colvilles	£1	53/4 1/2	53/11 1/2	6-02	4 1/2
72/-	51/9	11 1/2 a	2 1/2 a	Dunlop Rubber	10/-	26/3	26/-	6.09	2	43/7 1/2	26/10 1/2	6 1/2 b	3 1/2 a	Dorman Long	£1	28/10 1/2	28/4 1/2	7-05	2 1/2
33/3	17/6	9 a	21 b	Joseph Lucas	£1	52/9	51/9	5.31	3	49/10 1/2	31/9	7 1/2 b	3 1/2 a	Lancashire Steel	£1	32/9	32/4 1/2	6-80	3 1/2
64/6	29/6	15 c	12 1/2 c	Pressed Steel	5/-	18/9	17/6	8.57	1 1/4	42/-	27/4 1/2	8 b	4 a	South Durham	£1	27/10 1/2	27/4 1/2	8-77	2
168/9	110/-	50 b	40 a	Triplex Holdings	10/-	30/3	29/6	4.24	2	47/8 1/4	33/4 1/2	7 1/2 b	5 a	Steel Co. of Wales	£1	33/10 1/2	34/3	7-20	2 1/4
63/3	10/-	10 1/2 b	10 1/2 b	Anglo-American	10/-	121/10 1/2	122/6	7.35	1 1/2	57/4 1/2	40/10 1/2	9 b	5 a	Swanwick & Lloyds	£1	43/10 1/2	43/10 1/2	6-84	3 1/4
107/9	67/6	5 a	10 1/2 b							68/7 1/2	43/10 1/2	9 b	5 a	Jobb Sumner	£1	46/1 1/2	45/7 1/2	6-58	2 1/4

[illegible]

61/6	41.9	†81, b	†31, a	British Petroleum
49/6	32.6	†21, a	†62, b	Burmah Oil

52/2-	37/-	6 1/2 a	13 1/2 b	Castrol	10/-	38/9	38/6	5 19	2 1/2	85/9	47/-	20 c	23 1/2 a	City Centre Props.	55/-	56/-	56/6	2-24**	3 1/2
151/-	108/8	23 8 1/2 c	11 1/2 a	Royal Dutch	20 fl.	111 1/4	111 1/6	4 11	2 1/4	195/6	7 1/2 b	3 1/2 a	7 1/2 b	City Lond. Real Prop.	71/6	70/9	70/9	3-11	1 1/2
139 7/8	108 9	120 8 c	110 a	Shell Transport	11	115/-	115 9/8	5 88 3	36/-	22/3	2 a	4	6	Land Securities	10/-	30/-	29/-	2-07	1 1/2
41/3	24 3			Ultramar	10/-	26/-	26 6	... d	...	38/3	26/6	12 1/2 c	3 1/2 a	Lond. Cent. Freehld.	10/-	30/6 1/2	29/-*	4-17	1
PAPER & NEWSPAPERS																			
14/7 1/2	9 10 1/2	8 b	5 a	Daily Mirror	5/-	11 10 1/2	12/-	6 25 1/2	1 1/4					TEA & RUBBER					
91/-	57/6	4 a	8 b	W. H. Smith & Son 'A'	11	59/6	57/9	4 16	2	47/6	40/6	12 1/2 a	125 b	Cons. Tea & Lands	£1	46/6	47/6	18-91	1
19/-	17/9			Thomson Org'n.	5/-	19/-	18/9	6 40 1/2	2	35/-	28/9	13 a	111 b	Jokal (Assam)	£1	34/3	35/-	13-06	2
66/3	43/6	8 1/2 b	5 a	Bowater Paper	£1	45/6 1/2	44/6	6 18	1 1/2	11/-	8/6			Nuwara Elyia	£1	8/9	8/9		1 1/2
56/6	43/9	9 a	7 b	Albert E. Reed	£1	45/9	43/9	7 31	1	6 10 1/2	5 2 1/4	12 1/2 a	29 1/2 b	Highland & Lowlands	£1	55/2	55/2	15-69	1 1/2
54/3	37/6	4 a	8 1/2 b	Spicers	£1	42/-	42/-	5 95	1 3/4	7 4 1/2	5/6	10 a	35 b	London Asiatic	£1	5/9	5 6 1/2	16-8	2
68/9	50/6	4 a	10 b	Wiggins Teape	£1	56/6	55/6	5 05	2	93/-	77/-	12 1/2 a	37 1/2 b	United Suda Betong	£1	80/6	79/6	12-58	1 1/2

Oct. 27	355.7	5.26	427.2
Oct. 4	350.8	5.36	(May 10)

Financial Times Indices																																																																																			
1961	Index †	Ord. Yield	Fixed Int. ‡	21/2% Consols Yield	Bargains Marked																																																																														
Sept. 28	300.6	5.25	81.52	6.54	9.98																																																																														
" 29	297.1	5.31	81.44	6.54	10.607																																																																														
Oct. 2	293.4	5.38	81.36	6.54	11.894																																																																														
" 3	292.9	5.39	81.30	6.54	11.308																																																																														
" 4	294.9	5.35	81.45	6.51	10.915																																																																														
<table border="0"> <tr> <td>Electrical engineering</td> <td>159.4</td> <td>140.7</td> <td>136.5</td> <td>4.67</td> <td>5.67</td> <td>5.88</td> </tr> <tr> <td>Engineering</td> <td>170.6</td> <td>160.5</td> <td>155.4</td> <td>4.19</td> <td>4.95</td> <td>5.12</td> </tr> <tr> <td>Steel</td> <td>278.8</td> <td>208.3</td> <td>203.5</td> <td>4.47</td> <td>6.74</td> <td>6.91</td> </tr> <tr> <td>Breweries</td> <td>239.9</td> <td>243.5</td> <td>254.9</td> <td>4.01</td> <td>4.60</td> <td>4.39</td> </tr> <tr> <td>Chain stores</td> <td>220.1</td> <td>233.3</td> <td>238.0</td> <td>2.74</td> <td>2.86</td> <td>2.81</td> </tr> <tr> <td>Cotton and rayon textiles</td> <td>200.1</td> <td>167.9</td> <td>163.9</td> <td>5.76</td> <td>9</td> <td>8.37</td> </tr> <tr> <td>Wool textiles</td> <td>195.8</td> <td>180.4</td> <td>82.5</td> <td>5.55</td> <td>6.51</td> <td>6.47</td> </tr> <tr> <td>Chemicals</td> <td>244.3</td> <td>190.6</td> <td>172.8</td> <td>3.41</td> <td>4.55</td> <td>5.00</td> </tr> <tr> <td>Oil</td> <td>118.4</td> <td>123.3</td> <td>118.0</td> <td>6.37</td> <td>6.90</td> <td>7.39</td> </tr> <tr> <td>Shipping</td> <td>110.2</td> <td>98.1</td> <td>100.5</td> <td>5.41</td> <td>5.62</td> <td>5.45</td> </tr> <tr> <td>All classes combined</td> <td>186.6</td> <td>179.5</td> <td>176.9</td> <td>4.73</td> <td>5.44</td> <td>5.57</td> </tr> </table>							Electrical engineering	159.4	140.7	136.5	4.67	5.67	5.88	Engineering	170.6	160.5	155.4	4.19	4.95	5.12	Steel	278.8	208.3	203.5	4.47	6.74	6.91	Breweries	239.9	243.5	254.9	4.01	4.60	4.39	Chain stores	220.1	233.3	238.0	2.74	2.86	2.81	Cotton and rayon textiles	200.1	167.9	163.9	5.76	9	8.37	Wool textiles	195.8	180.4	82.5	5.55	6.51	6.47	Chemicals	244.3	190.6	172.8	3.41	4.55	5.00	Oil	118.4	123.3	118.0	6.37	6.90	7.39	Shipping	110.2	98.1	100.5	5.41	5.62	5.45	All classes combined	186.6	179.5	176.9	4.73	5.44	5.57
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High, 363 ^a / (1918=100)	Low, 292 ^a / (Oct. 3)	Total—	236	183	137	4	\$ 85	5.77
† July 1, 1935=100.	† 1928=100.	Total—Consumption Goods	233.3	233.3	236.7	6.30	4.95	4.90

^a Yields based on assumed dividends:—A.C.V., 16%, Bass, Mitchell & B., 11%, Calico Printers, 20%, City & Centre Props., 25%, C.A., 12%, on merger terms, Lloyds Bank, 10%, London, Patons & B., 12½%, Daily Mirror, 15%, Gunners, 22%, Midland, 15%, Loates, Tins, 35%, Rags, 15%.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended September 30, 1961, there was an "above-line" deficit (after allowing for sinking funds) of £63,055,000 compared with a deficit of £5,885,000 in the previous week and a deficit of £44,132,000 in the corresponding period of last year. There was a net expenditure "below-line" of £96,727,000 leaving a total cumulative deficit to date of £690,932,000 compared with £664,606,000 in 1960-61.

£'000	Estimate 1961-62	April 1, 1960, to Sept. 30, 1960	April 1, 1961, to Sept. 30, 1961	6 days ended Sept. 30, 1960	Week ended Sept. 30, 1961
Ordinary Revenue					
Income Tax	2,728,500	678,107	787,401	30,535	34,126
Surtax	210,000	36,200	42,900	1,100	1,200
Death Duties	240,000	111,200	132,900	4,100	4,200
Stamps	94,000	43,800	51,300	1,300	1,400
Profits tax, EPT and EPL	325,500	140,600	177,600	3,500	5,900
Other Inland Rev. Duties	...	50	...	...	...
Total Inland Rev.	3,598,000	1,009,957	1,192,101	40,535	46,826
Customs	1,550,000	728,402	798,182	24,558	29,464
Excise	960,000	462,035	476,885	12,535	26,435
Total Customs and Excise	2,510,000	1,190,437	1,275,067	37,093	55,899
Motor Duties	155,000	26,669	31,154	192	...
PO (Net Receipts)	40,000	13,500	14,200	2,900	...
Broadcast Lic.	205,000	34,154	121,397	1,000	1,072
Sundry Loans	...	55,184	...	1,749	...
Miscellaneous	...	...	...	...	...
Total	6,508,000	2,239,901	2,633,919	83,469	103,797
Ordinary Expenditure					
Debt Interest	660,000	330,956	396,362	...	3,218
Payments to N. Ireland Exch.	92,000	40,387	41,715	3,739	3,894
PO Fund—Initial settlement	15,000	...	...	...	...
Other Consolidated Funds	8,000	3,932	4,140	56	116
Supply Services	5,186,902	2,322,623	2,515,844	123,593	159,506
Total	5,961,902	2,697,898	2,958,061	127,388	166,734
Sinking Funds	40,000	18,783	18,790	213	118
"Above-line" Surplus or Deficit	386,780	242,932	44,132	63,055	
"Below-line" Net Expenditure	277,826	348,000	66,581	96,727	
Total Surplus or Deficit	664,606	690,932	110,713	159,782	
Net receipts from:					
Tax Reserve Certificates	126,001	106,676	10,821	14,155	
Savings Certificates	36,100	12,500	600	100	
Defence Bonds	55,501	18,259	1,787	130	
Premium Savings Bonds	29,120	21,200	480	1,400	
Total	246,722	133,635	13,688	15,525	

* Net receipt to the Civil Contingencies Fund of £5 million in 1961-62 compared with a net receipt of £7 million in 1960-61.

FLOATING DEBT (£ million)

	Treasury Bills	Ways and Means Advances	Total Floating Debt
	Tender	Tap	
1960			
Oct. 1	3,490.0	2,083.1	5,859.1
1961			
June 24	3,290.0	1,909.6	5,365.8
July 30	3,290.0	...	5,483.0
July 8	3,280.0	1,853.1	5,399.0
July 15	3,270.0	1,866.0	5,405.0
July 22	3,260.0	1,894.4	5,388.7
July 29	3,250.0	1,920.3	5,393.9
Aug. 5	3,280.0	1,882.6	5,369.9
Aug. 12	3,290.0	1,712.9	5,209.4
Aug. 19	3,290.0	1,732.5	5,340.7
Aug. 26	3,280.0	1,840.0	5,324.1
Sept. 2	3,260.0	1,855.3	5,354.8
Sept. 9	3,240.0	1,886.4	5,347.9
Sept. 16	3,240.0	1,905.2	5,374.7
Sept. 23	3,220.0	1,928.7	5,377.0
Sept. 30	3,220.0	2,018.6	5,522.3

THE MONEY MARKET

THE reduction in Bank rate to 6½ per cent on Thursday surprised the money market; a reduction was certainly expected but not quite so soon. The minimum rate on call loans from the clearing banks was reduced by ½ per cent to 4½ per cent, and deposit rates at the clearing banks and discount houses were also cut by ½ per cent, to 4½ per cent and 4¼ per cent respectively.

At the bill tender on the Friday six days before the Bank rate cut the syndicate of discount houses actually lowered its agreed bid by 3d. to £98 7s. 2d. following rises totalling 11d. in the previous three weeks. Outside offers were maintained around the previous week's level and the average rate of discount rose by only 5.7d. to £6 11s. 0.48d. per cent. Total applications rose sharply by £65 million to £448 million and the market secured only 39 per cent of its application.

Credit became progressively tighter last week after an easy day on Thursday. Conditions continued difficult on Monday and Tuesday, and on both days the authorities supplied fairly large amounts of assistance, but on Monday two or three houses were also forced to borrow a very small sum from the Bank of England.

MONEY RATES

LONDON		NEW YORK	
Bank rate (from 7% 5.10.61)	Discount rates %	Official Discount %	Treasury bills %
6½	Bank bills: 60 days 6½-6¾, 3 months 6½-6¾, 6 months 6½-6¾, 12 months 6½-6¾	3	Sept. 25 2.23, Oct. 2 2.302
	Deposits (7 days' notice): Banks 4½-5, Discount houses 4½-5, Local Authorities 7½-8, Money 5½-6½, Day-to-Day 5½-6½		
	NEW YORK		
	Official Discount %		Treasury bills %
	3		Sept. 25 2.23, Oct. 2 2.302

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

Effective Limits	October 4	September 28	September 29	September 30	October 2	October 3	October 4
Market Rates: Spot							
United States \$	2.78-2.82*	2.81½-3	2.81½-3	2.81½-3	2.81½-3	2.81½-3	2.81½-3
Canadian \$	13.622-14.027	2.89½-3	2.89½-3	2.89½-3	2.89½-3	2.89½-3	2.89½-3
French Fr.	11.94-12.547	13.83-14	13.83-14	13.83-14	13.83-14	13.83-14	13.83-14
Swiss Fr.	137.96	12.15½-7	12.15½-7	12.15½-7	12.15½-7	12.15½-7	12.15½-7
Belgian Fr.	142.05	140.05	140.05	140.05	140.05	140.05	140.05
Dutch Gld.	9.982-10.281	10.16½-3	10.16½-3	10.16½-3	10.16½-3	10.16½-3	10.16½-3
W. Ger. D-Mk.	11.037-11.365	11.24½-3	11.24½-3	11.24½-3	11.24½-3	11.24½-3	11.24½-3
Portug. Esc.	1725-1775	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25
Italian Lire	14.272-14.70	1746-1746½	1746-1746½	1746-1746½	1746-1746½	1746-1746½	1746-1746½
Swedish Kr.	19.062-19.62	14.51½-3	14.51½-3	14.51½-3	14.51½-3	14.51½-3	14.51½-3
Danish Kr.	19.71-20.30½	19.37½-3	19.37½-3	19.37½-3	19.37½-3	19.37½-3	19.37½-3
Norwegian Kr.	...	20.02½-3	20.02½-3	20.02½-3	20.02½-3	20.02½-3	20.02½-3
One Month Forward Rates							
United States \$	11½-13½c. pm	11½-13½c. pm	11½-13½c. pm	11½-13½c. pm	11½-13½c. pm	11½-13½c. pm	11½-13½c. pm
Canadian \$	11½-13½c. pm	11½-13½c. pm	11½-13½c. pm	11½-13½c. pm	11½-13½c. pm	11½-13½c. pm	11½-13½c. pm
French Fr.	5½-45c. pm	5½-45c. pm	5½-45c. pm	5½-45c. pm	5½-45c. pm	5½-45c. pm	5½-45c. pm
Swiss Fr.	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm
Belgian Fr.	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm
Dutch Gld.	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm
W. Ger. D-Mk.	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm	45-35c. pm
Three Months Forward Rates							
United States \$	2½-25c. pm	2½-25c. pm	2½-25c. pm	2½-25c. pm	2½-25c. pm	2½-25c. pm	2½-25c. pm
Canadian \$	2½-25c. pm	2½-25c. pm	2½-25c. pm	2½-25c. pm	2½-25c. pm	2½-25c. pm	2½-25c. pm
French Fr.	14½-14½c. pm	14½-14½c. pm	14½-14½c. pm	14½-14½c. pm	14½-14½c. pm	14½-14½c. pm	14½-14½c. pm
Swiss Fr.	13-12½p. pm	13-12½p. pm	13-12½p. pm	13-12½p. pm	13-12½p. pm	13-12½p. pm	13-12½p. pm
W. Ger. D-Mk.	13-12½p. pm	13-12½p. pm	13-12½p. pm	13-12½p. pm	13-12½p. pm	13-12½p. pm	13-12½p. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)	250/2¼	250/1¼	250/1¼	250/1¼	250/1¼	250/1¼	250/1¼

BANK OF ENGLAND RETURNS

(£ million)	Oct. 5, 1960	Sept. 27, 1961	Oct. 5, 1961
Issue Department:			
Notes in circulation	2,220.1	2,303.7	2,308.2
Notes in banking dept.	30.3	21.6	17.1
Govt. debt and securities	2,247.7	2,324.0	2,324.0
Other securities	0.8	0.7	0.8
Gold coin and bullion	0.4	0.4	0.4
Coin other than gold coin	1.5	0.3	0.3
Banking Department:			
Deposits:			
Public accounts	11.6	14.6	11.6
Special deposits	149.8	232.9	232.9
Bankers	251.4	265.5	258.9
Others	65.3	71.4	68.6
Total	478.1	584.5	572.0
Securities:			
Government	428.0	517.5	501.6
Discounts and advances	17.6	43.4	51.6
Other	46.6	19.6	19.4
Total	492.2	580.5	572.5
Banking department reserve	31.2	22.5	18.0
"Proportion"	6.5	3.8	3.1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £25 million to £2,325 million on September 20th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million)	Three Months' Bills	Average Rate of Allotment	Allotted at Max. Rate
1960				
Sept. 30	91 day 290.0	478.7	111.3-65	38
1961				
June 30	250.0	400.8	90.8-94	46
July 7	240.0	405.2	90.8-80	47
July 14	240.0	378.2	91.4-47	42
July 21	240.0	333.3	92.5-62	66
July 28	250.0	426.6	133.9-22	28
Aug. 4	250.0	386.0	134.3-33	44
Aug. 11	250.0	394.7	134.8-51	41
Aug. 18	250.0	379.6	134.1-83	61
Aug. 25	260.0	409.9	134.0-12	39
Sept. 1	250.0	379.8	134.0-50	48
Sept. 8	260.0	441.6	132.10-81	60
Sept. 15	250.0	407.0	131.10-99	59
Sept. 22	250.0	383.3	130.6-51	65
Sept. 29	270.0	447.9	131.0-48	39

* On September 29th tenders for 91 day bills at £98 7s. 2d. secured 39 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.

APPOINTMENTS

AGRICULTURAL ECONOMISTS

THE UNITED NATIONS

has two vacancies in the Secretariat of the United Nations Economic Commission for Africa, in Addis Ababa, Ethiopia, to plan, conduct and direct investigations into the problems and progress of agricultural development with special reference to African countries, and to formulate agricultural development projects.

Qualifications desired are advanced university education in economics or agricultural economics; substantial experience at governmental or inter-governmental level in handling practical economic problems in the agricultural sector, preferably in those of less developed countries; and excellent knowledge of English or French (working knowledge of the other desirable), with demonstrated ability in drafting reports.

One vacancy is at the First Officer level with a salary range of US \$7,300-US \$9,500 net, free of tax, per annum, while the other is at the Senior Officer level with a salary range of US \$8,750-US \$11,000. In addition, there is a cost of living allowance of \$2,375 for the First Officer and \$2,500 for the Senior Officer posts, net, for persons with dependants (somewhat less for single) plus dependency allowances and benefits.

In accordance with the principles of the United Nations Charter, recruitment of staff for the Secretariat is made on as wide a geographical basis as possible. Accordingly, in recruitment for the above vacancies preference shall be given to nationals of Member States which have at present disproportionately few or no nationals on the staff.

Applications should be sent to the
Personnel Officer,
Economic Commission for Africa,
P.O. Box 3001, Addis Ababa.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD: MARKETING OFFICERS

Pensionable posts for men as follows:
(a) Two Grade III posts for work involving investigations covering all aspects of horticultural marketing. Age at least 25 on October 1, 1961. Qualifications: normally, degree in Horticulture or a related subject, or N.D.H., or equivalent, exceptionally, extensive practical experience considered in lieu. National salary scale £1,004-£1,570. Starting salary may be above minimum.
(b) Three Grade II posts for work on fruit and vegetable market surveys, and inspections under the grade assessment service. Age at least 21 on October 1, 1961. Sound general education and practical experience of horticultural marketing essential; knowledge of the wholesale trade is particularly important. National salary scale £536 (at 20) to £725 (at 26 or over); scale maximum 575. Salary scales under review.
Car driving essential for all posts. Promotion prospects.—Write (14) Service Commission, Burlington Gardens, London, W.1, for application form quoting 5593/61. Closing date October 30, 1961.
AT 826/DW

SURREY

EDUCATION COMMITTEE

KINGSTON TECHNICAL COLLEGE, FASSETT ROAD, KINGSTON-UPON-THAMES.
(1) Assistant Lecturer in Accountancy: should be qualified Accountant with special interest in Costing.
(2) Assistant Lecturer in Government: with honours degree in Economics in which specialised in Government.
Salary: Burnham Technical Scale Grade B, £700 x £27 10s. (15) and £37 10s.—£1,450, allowances for degree, training and experience. London Allowance payable.
S.A.E. to Principal for further particulars and application forms.

THE British Employers' Confederation has a vacancy for a graduate, preferably in Economics, aged about 30, with practical knowledge of wages systems, to assist in its Wages and Conditions Information Service. Salary £1,200.—Applications to Secretary, British Employers' Confederation, 36, Smith Square, Westminster, London, S.W.1.

MARKET RESEARCH

S. H. Benson has a vacancy for a Senior Market Research Executive. The executive sought will be responsible for the organisation and interpretation of field studies on a major national account, involving a considerable amount of contact with psychologists, sociologists and executives of the agency and the client.

The successful candidate will probably be about 30 with at least five years' experience in market research. He will be widely experienced in all the conventional research techniques, but will also be keen to learn about new advances in motivation and operational research, and to help develop their application in solving practical marketing and advertising problems. He can count on finding congenial working conditions, and a remuneration in line with the very high standards demanded.

The position will be pensionable. Please write giving age and details of experience to date, to The Staff Manager, S. H. Benson Ltd., 129 Kingsway, W.C.2.

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have been retained to advise on this appointment.

MARKETING MANAGER

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Candidates should be in their mid 30's and possess a first or second class honours degree in arts or science. They must have a thorough knowledge of and experience in consumer, product and marketing techniques acquired on the agency or client side. Previous experience with a consumer research organisation would also be useful. The position requires a man of exceptional calibre who will already be earning not less than £4,000. Please send brief details in confidence quoting reference S.3721 to P. J. H. Fryer.

In no circumstances will a candidate's identity be disclosed to our client unless he gives permission after a confidential interview at which he will be given full details of the appointment.

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17 Stratton Street, London, W.1

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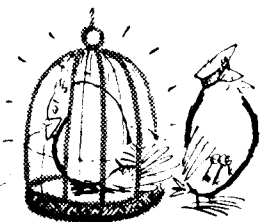
THE GILDED CAGE

an economic fable

ONCE UPON A TIME there was a wise old bird who laid nest-eggs. People brought him their berries and he took them in his beak and flew off into the forest. There—for he was a wise old bird and knew the forest well—he planted them. And there, in due course, they sent up shoots. The wise old bird tended these shoots carefully. He watched them and watered them. He perched day and night on a neighbouring

wise old bird. "And that's good for everyone, not just the people who save their berries and bring them to me to plant, instead of eating them at once."

But the Keeper wouldn't listen. He went and got an expensive gilded cage, and put the wise old bird into it. He was still allowed out to plant berry bushes, but only with an Under-Keeper to see that he

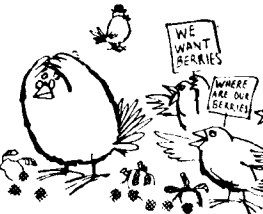


planted them in officially approved places. The wise old bird knew that many of these weren't good for growing berry bushes. But there was nothing he could do. And he thought it was unfair to the people who saved their berries and brought them to him that what they saved should now be used simply for keeping the forest tidy, instead of for growing lots of berries for winter time. But there was still nothing he could do.

branch and was never caught napping. So the berries grew into berry-bushes. Very productive berry-bushes. And when winter arrived the same people came to him—and he gave them back their berries and more besides. And this way there were always berries, winter and summer, for the people who cared to come to the wise old bird. And this was how he laid his nest eggs.

Then the Keeper of the forest came to see the wise old bird. "This can't go on!" he said. "Why not?" said the wise old bird. "I've been doing it for two hundred years and everyone seems quite happy."—"But I'm not happy," said the Keeper. "It's untidy, that's what it is. There you go, planting your berry bushes all over the forest. Never a thought as to where they'll look best."—"I think of where they'll grow best," said the wise old bird. The Keeper wasn't listening. "It's just plain selfish," he cried indignantly. "You never think of

And winter came, and there weren't enough berries to go round. And the people blamed the wise old bird. "Next time," they said, "we won't bother to bring our berries to him." And they didn't. They ate them instead.



The Keeper didn't like this, but there was nothing he could do about it. He couldn't watch every mouth in the forest to see if it was munching at the wrong moment or not. And no berry bushes were planted, and the forest suddenly began to look much more untidy than before.

And the winter after that everyone went hungry, including the wise old bird, the Under-Keeper and the Keeper himself.

MORAL:

You can break a lot of nest-eggs and still not make an omelette.

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trying to keep the forest with everything in balance—every branch with a creeper, every creeper with a branch."—"I go to a lot of trouble to keep it in the best state for growing berry bushes," said the



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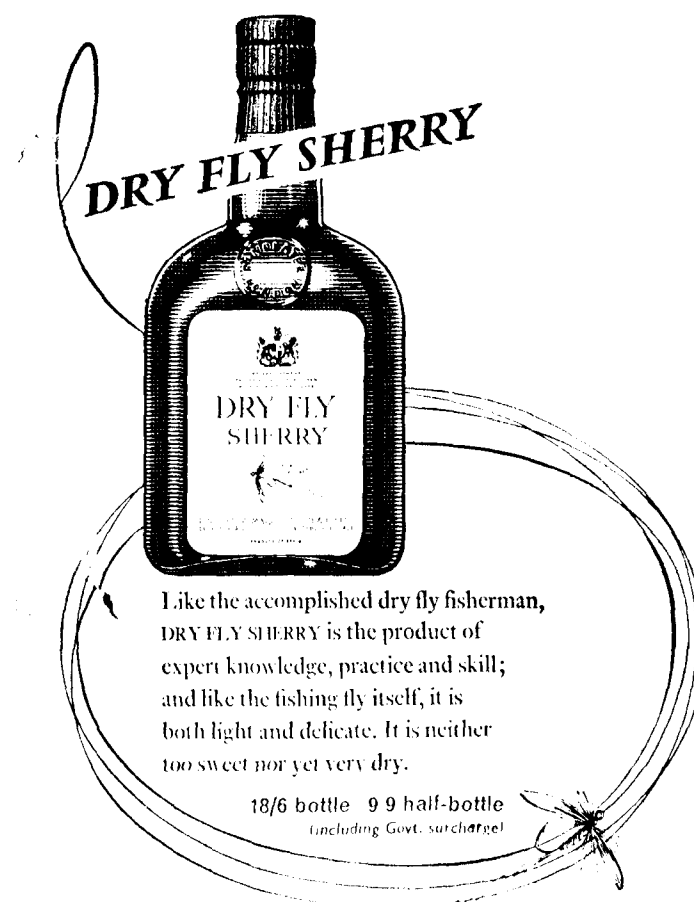
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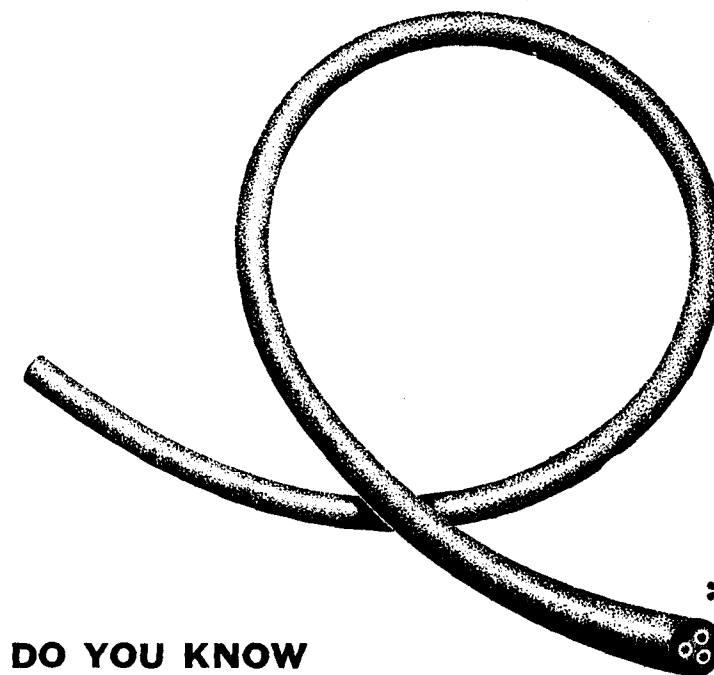
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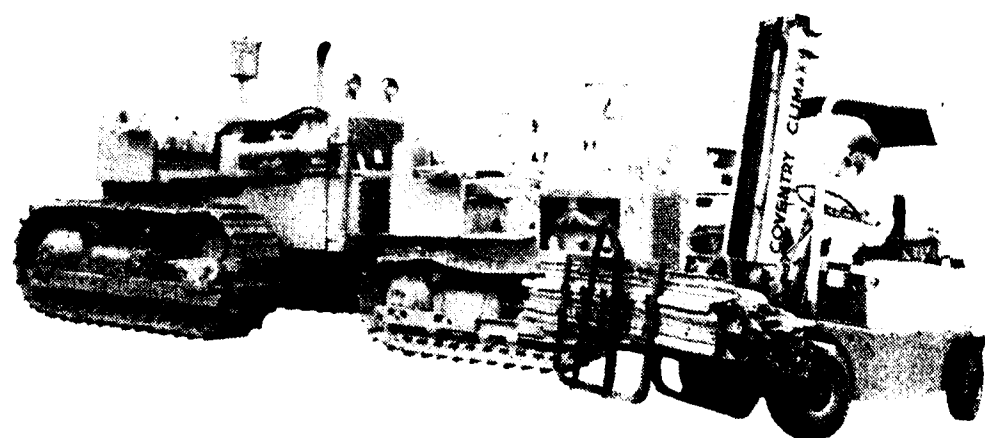
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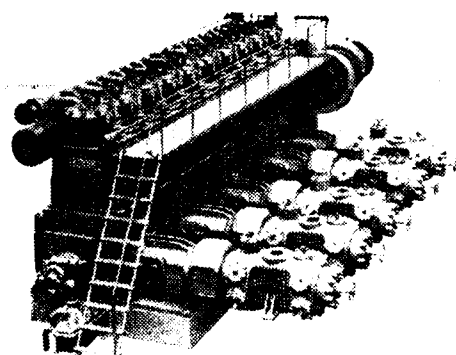
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THE TORY NEW LOOK *The Prime Minister's deft changes in the Government gave the Conservative party at Brighton a stimulating send-off*

COLLISION COURSE *East and West have not got beyond the preliminaries of their necessary dialogue about Berlin and Central Europe*

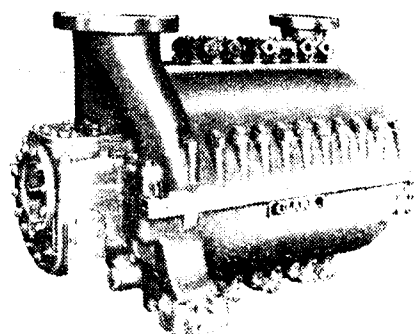
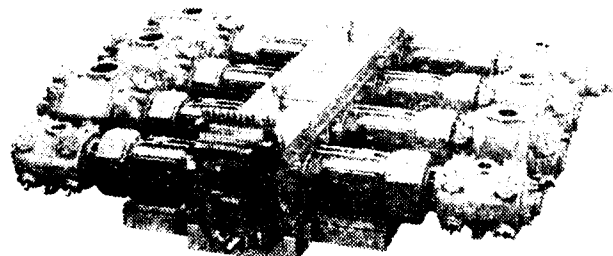
INVESTOR'S LOAF *The stock market has begun to discard a cult and it now has to look for competitive equities*



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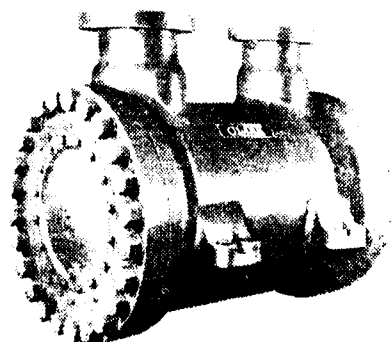
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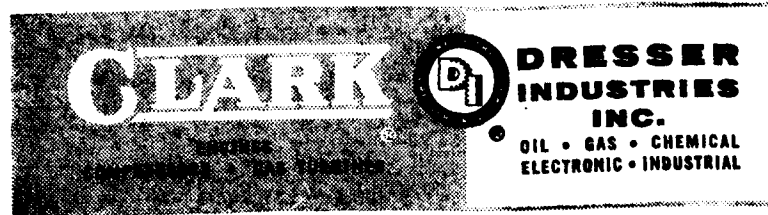


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In The Economist this Week

October 14, 1961

HOME

Leaders Fall In

Mr Macmillan has adroitly reshuffled his Cabinet: the men, not new policies, will show the change, which could be dynamic (p. 107).

Labour, too, may shortly present a new look at the top (p. 116).

The Bank's new Governor speaks (p. 162).

Conference Fall-Out

The Tories at Brighton showed themselves resigned on Africa, sensible on Europe, liberal on hanging and flogging (p. 127) and hypocritical on immigration (p. 113).

Mr Heath has stood up stoutly to his European critics, as well as successfully, with Mr Sandys's resounding aid, to those in his own party (p. 113).

Aldermen stood condemned after the Tories' local government conference: but local administration may need an even more serious reform (p. 119).

Break-Downs

The cult of the equity is over. The investor can no longer "buy the index" and cover up the mistakes with the splendid successes (p. 153).

The cut in Bank rate has precipitated the very thing it was designed to prevent, and no one should be surprised (p. 157).

The Minister of Labour's half-concession on wages councils is the Government's second recent economic bloomer (p. 113).

To repeat this error over Government industrial employees would give a shove to inflation in engineering wages—and thus throughout the country (p. 114).

Bad communications between management and men have caused BOAC's troubles at London Airport (p. 119).

The teachers' militancy is breaking down before Sir David Eccles's tactics (p. 115).

Airline and railway in a three-guinea collision (p. 169).

Build-Ups

Opportunities to get gas cheaper for Britain are multiplying regardless of politics (p. 155).

Liverpool is to build a New Town—but perilously near to the old city (p. 128).

The Arts Council is considering a tougher approach to persuade Britain's cities to rebuild their cultural life (p. 128).

Britain may have too many scientists by 1965 (p. 160).

INTERNATIONAL

LEADERS AND LED

Benefactors in Difficulties

Nikita the Bountiful, the Peacemaker, is not going to have such a glorious ride at the 22nd Congress of the Russian communist party as he earlier hoped, his diplomacy and nuclear explosions having so far produced nothing but tension abroad (p. 110).

This programme is under attack from Yugoslavia (p. 119); at home, symptoms of restlessness have been noticed in Russian youth (p. 116).

His tactics have made him seem the most unreasonable of warmongers to many Americans; which makes the task of that other would-be Peacemaker and negotiator, Mr Kennedy, as difficult as his, and an East-West settlement in Germany still remote (p. 109).

Similarly, Mr Kennedy may find it impossible to shake the fingertip offered by Marshal Chen Yi (p. 115). In his own secondary role of would-be Bountiful, Mr Kennedy has a \$4 billion enterprise at his command, but his democratic principles and Congress's thrifty notions may limit his scope (p. 135).

Pharaoh: President Nasser is behaving with commendable restraint as the Syrians troop back across the Red Sea from the Goshen of Arab unity to which he had led them (p. 114). The Syrians themselves are gradually facing all the implications of their return to the wilderness (p. 147).

Moses: Dr Adenauer's people are not, after all, going to abandon him for any Free Democratic Golden Call (p. 115).

David and Jonathan: General Franco has shut up some French conspirators, and General de Gaulle has locked up one Spanish one (p. 120).

African Prophets

Secretaries: Iain writes frankly about the future to Reggie, or seems to (p. 112).

Messiah: Dr Verwoerd is holding a general election in order to crush heretical moderates (p. 150).

Osagyefo: Dr Nkrumah is despot of the castle (p. 143).

American Politicians

Speaker: The dying Mr Rayburn has no successor so capable of controlling the House (p. 136).

General: Military indiscretions have excited the attention of two very dissimilar Senators and the Secretary of Defence (p. 141).

Governor? Mr Nixon missed the Presidency, and is by no means sure of winning California either (p. 138).

LEADING QUESTIONS

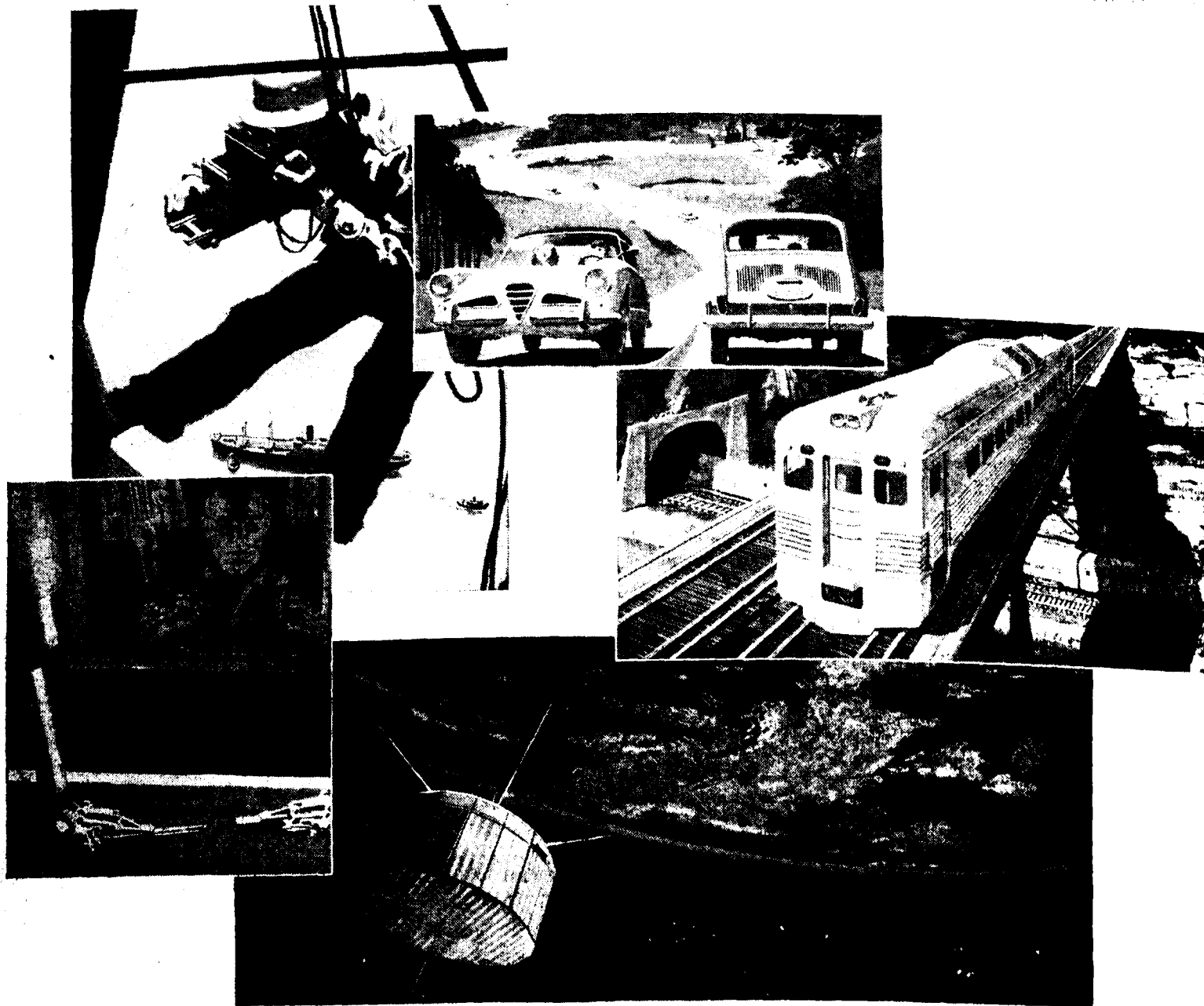
Western New Guinea may be allowed to choose its own leaders one day if the Dutch plan for UN supervision succeeds (p. 144); but not if the Indonesians have any say in the matter (p. 120).

The Tamils in Ceylon require dangerously fiery leadership if they are to be induced to keep up pressure on a sorely pressed government (p. 147).

On the Columbia river a power project depends for its success on agreement between local and national Canadian leaders (p. 141).

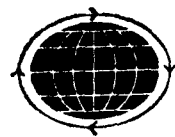
Turkey has a markedly restricted choice of leaders in its forthcoming general elections (p. 120).

Detailed contents on page 107



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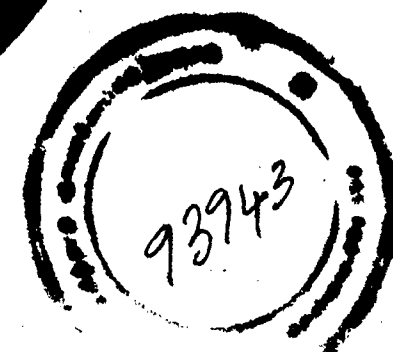
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LORD LONGFORD, are you an enthusiastic newspaper reader?

Yes, I am. I read six papers a day, including the Daily Herald; quite a chunk out of them, anyway. I think reading newspapers is one of the basic pleasures of life.

You must have noticed the change that has been taking place in the Daily Herald recently. Do you think that, on its present showing, the Herald can fill this role of an influential popular radical newspaper?

I see no reason why it shouldn't. The Herald has made a magnificent improvement in recent months. It's now a paper one can read for pleasure and instruction, and not just for reasons of duty.

Are you happy about the Daily Herald as it is now?

I'm very happy on the whole. I have one or two criticisms, of course. For instance, I think they could say more about world government, which is a great passion of mine; stress it more positively as a vision, I mean. And I think a more deliberately moral tone might be struck at certain points; and that, at other points, the paper could be gayer; more frivolous, even.

Common Market: a bold lead

Is there any aspect of world affairs on which you think the Herald has given a really notable lead in recent times?

Yes, certainly; on the Common Market. I think that's the best thing the Herald has ever done since I've been reading it. They didn't handle it at all timidly. They went ahead of the Labour Party and the Press generally in coming right out in favour of it. That is assuming the responsibilities of leading public opinion, which a national newspaper simply can't shirk if it wants to be read and admired. They have been shirked by the Daily Herald in the past because it was tied to the Party chariot.

What else do you consider particularly good about the Herald as it is shaping up now?

Well, the leading articles have, it seems to me, changed completely, and changed entirely for the better. The difference is extraordinary, yet I am told the leader writers are the same. Now, one is really anxious to find out, over some very difficult thing like Katanga, what the Herald is saying. I don't say one is going to take one's views from any paper just like that, but I do feel that the views of the Herald are an important element now in any conclusion I reach on a difficult subject. Then Page 3, "The Daily Herald Explains," is so concise and informative I only fear your rivals will copy it. And shouldn't you add something of the same kind to deal with popular culture as distinct from world affairs?

What about the front-page feature "The World This Morning," which is a sort of résumé and guide to the contents? Is that, in your opinion, a good idea?

That's brilliant. It seems to me. That alone makes me look at the Herald before any other paper. And, having got that far, I tend to turn inside to read more. I think that's the most successful development in journalism of the last few months.

You are a man with a good many causes at heart, and the Herald has always been strongly for certain causes; racial tolerance for instance, and the abolition of capital punishment. Would you like to say anything about the Herald from that point of view?

Yes—they have taken up several causes I'm interested in with much more fervour than



LORD LONGFORD TALKS ABOUT THE NEW DAILY HERALD

The Seventh Earl of Longford, more widely known as Lord Pakenham, is a former Labour Minister; a leading supporter of many causes, including Prison Reform, and After-care of Prisoners; and now Chairman of one of the Clearing Banks. Here he talks very frankly about the newly emerging Daily Herald.

the Press as a whole. Prison reform, for instance, and the after-care of discharged prisoners. There are others, like mental handicap, which I hope they will get around to immediately. And the stress on education and the Youth Services seems to be very properly increasing.

There are undoubtedly some criticisms you would like to make, or improvements you would like to see in the Herald in its present emerging state?

Well, as a business-man, for instance, I must say that there's not enough in the Herald at present to interest ordinary business people. You must at least print the Stock Exchange prices. That's really a minimum. Then there are some gaps in the sports pages. The soccer is excellent, and the cricket is good within the space allotted. But it's a pity Rugby Union is practically non-existent in the Herald, because it is being played more widely nowadays in schools. And golf... if you're going to interest the ordinary business-man who travels first class or second class, you've got to have more about golf.

Fun, provocative, daring

What about Henry Fielding, the gossip columnist? Or don't you think a gossip column belongs in a radical paper at all?

Oh, yes, I do. I'm a hundred per cent in favour of some gossip. It mustn't be malicious, and in a paper like the Herald it mustn't be too snobbish, but it must be fun and provocative; a little daring. The Herald can't build up a lot of Dukes and Duchesses, even eccentric ones, so I think, on the whole, you've got to go for glamour in other ways... particularly artists; creative performers of all kinds.

But I'm sure if you get a really brilliant column there, you will get an awful lot of young readers. You want the sort of touch that Malcolm Muggeridge gives to his "Life and Books"—or Dee Wells to her various experiences.

You have probably noticed the new Herald advertising theme: "People whose minds work know the Daily Herald gives it to you straight. Do you think the Herald can justifiably claim to have high standards of objectivity in its reporting of news?"

It can fairly claim to be a dispassionate, honest paper. But I think you still have a rather painful step to take; that is, when it comes to reporting Parliament objectively. This is always extremely difficult, because there you are on the borderline between fact and comment, when you may have to say that a Conservative member was well received, while a Labour performer flopped. When the Herald gets to that point, I shall agree that it has really achieved objectivity.

Could we talk now about "people whose minds work"? The aim here is to appeal to the better educated, more critical and thoughtful generation that is growing up now. Do you think the Herald, as it is now taking shape, can, in fact, attract these young people? And do you think it is likely to win readers from other papers, or will they come mainly from the still uncommitted?

A lot will be from the wholly uncommitted. But there will certainly be many radical or Labour sympathisers who will be glad to change to the Daily Herald as soon as they discover that it has become so much brighter and better, and that a radical paper doesn't have to be tedious or dreary.

Do you think you could sum up the nature of the improvement you would still like to see in the Daily Herald?

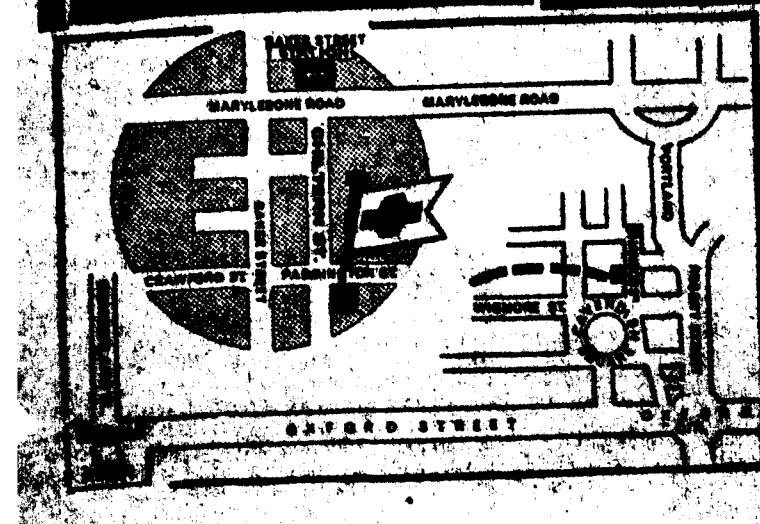
Yes. What I feel is this. One's favourite paper should be like a personal friend. You may not want your friend to be preaching at you the whole time, but you do want him to have high moral standards; to know that those standards are there. That is why I feel strongly that the Herald should take a much more positive stand on religion. I would like when I am presenting myself as a Christian and asking another Christian person to read the Herald, to be able to point to a positive



Christian element; a weekly column, for one thing, and some positive Christian message at Christmas, Easter and so on. At the same time, you mustn't be frightened of plenty of gaiety and smartness. I'm told, for instance, by my wife and daughters that the women's pages don't pay enough attention to fashion. Why shouldn't the Herald be the recognized Top for Hairdressing? Almost all women nowadays are interested in it, and all of them ought to be. One mustn't confuse smartness with snobbery. Female charm is not a question of class, and less and less an affair of money. Gaiety is the reverse side of seriousness, and you must have both.

And now, is there any other point you would like to make? Anything else you think should be said about the Daily Herald?

I seem to have been rather critical. Now I would like to say something cordial. I would like to repeat what I think I said earlier; that I don't remember any newspaper which has shown so marked an improvement in so short a time, and that this augurs extremely well for the Herald. I should like, in fact, to make it plain that I am highly enthusiastic about the future of the paper in its new form.



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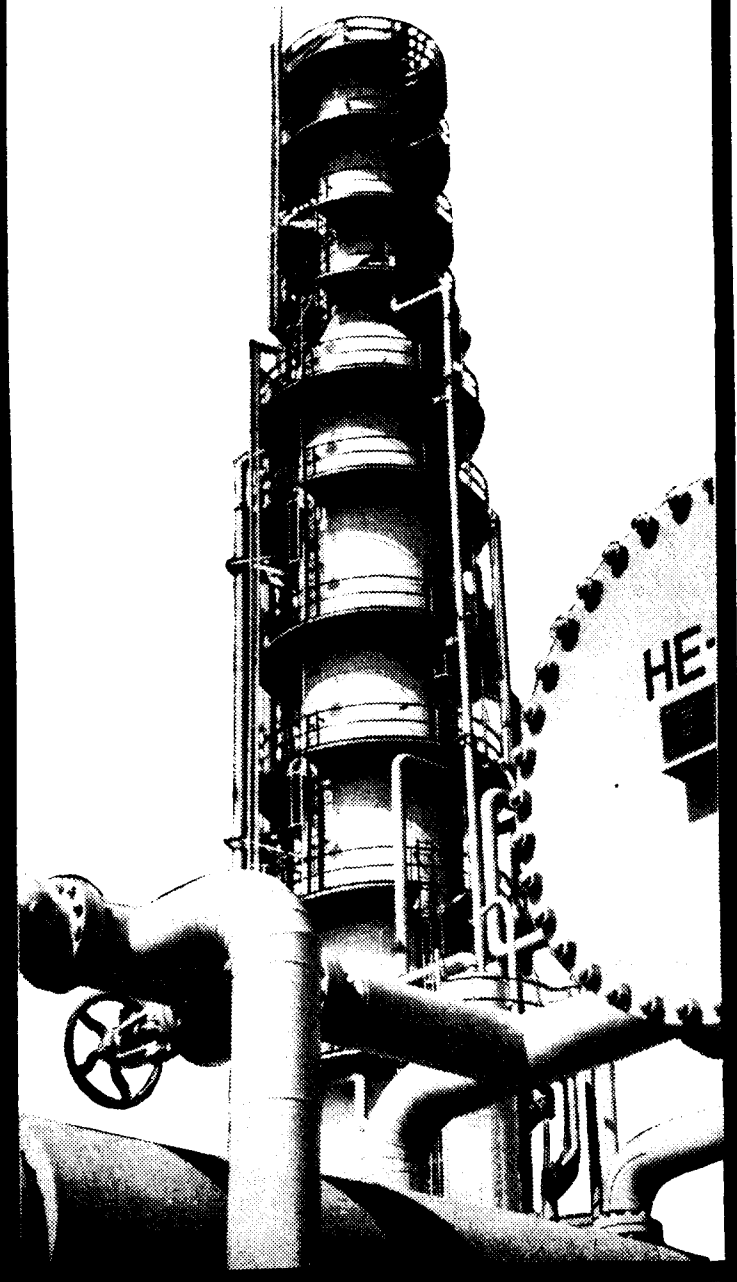
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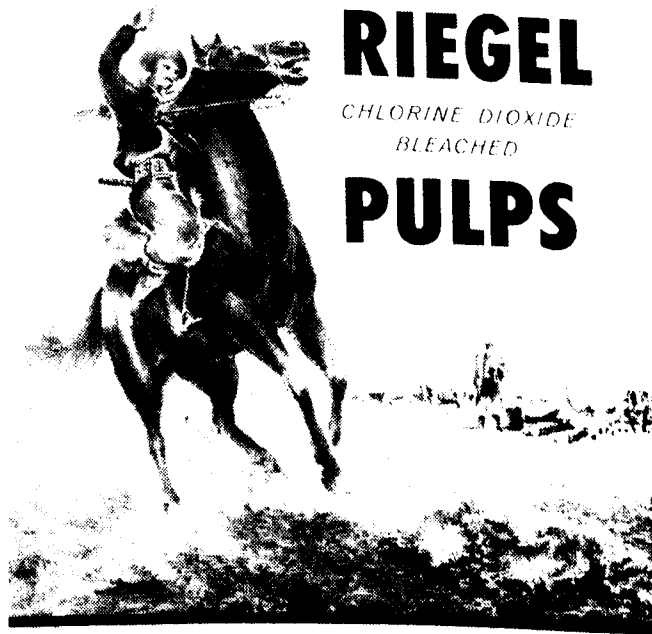


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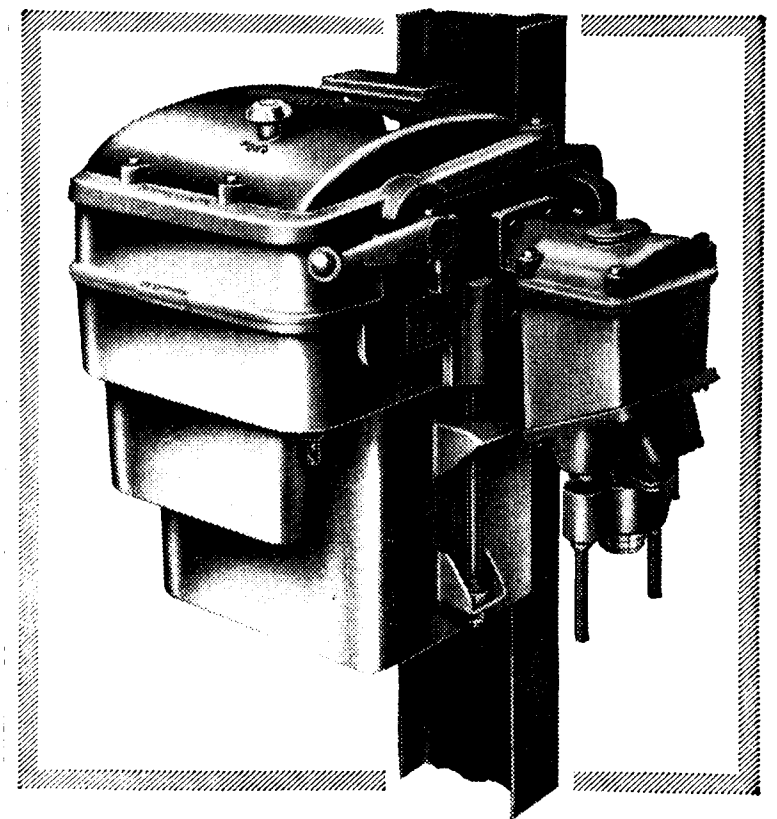
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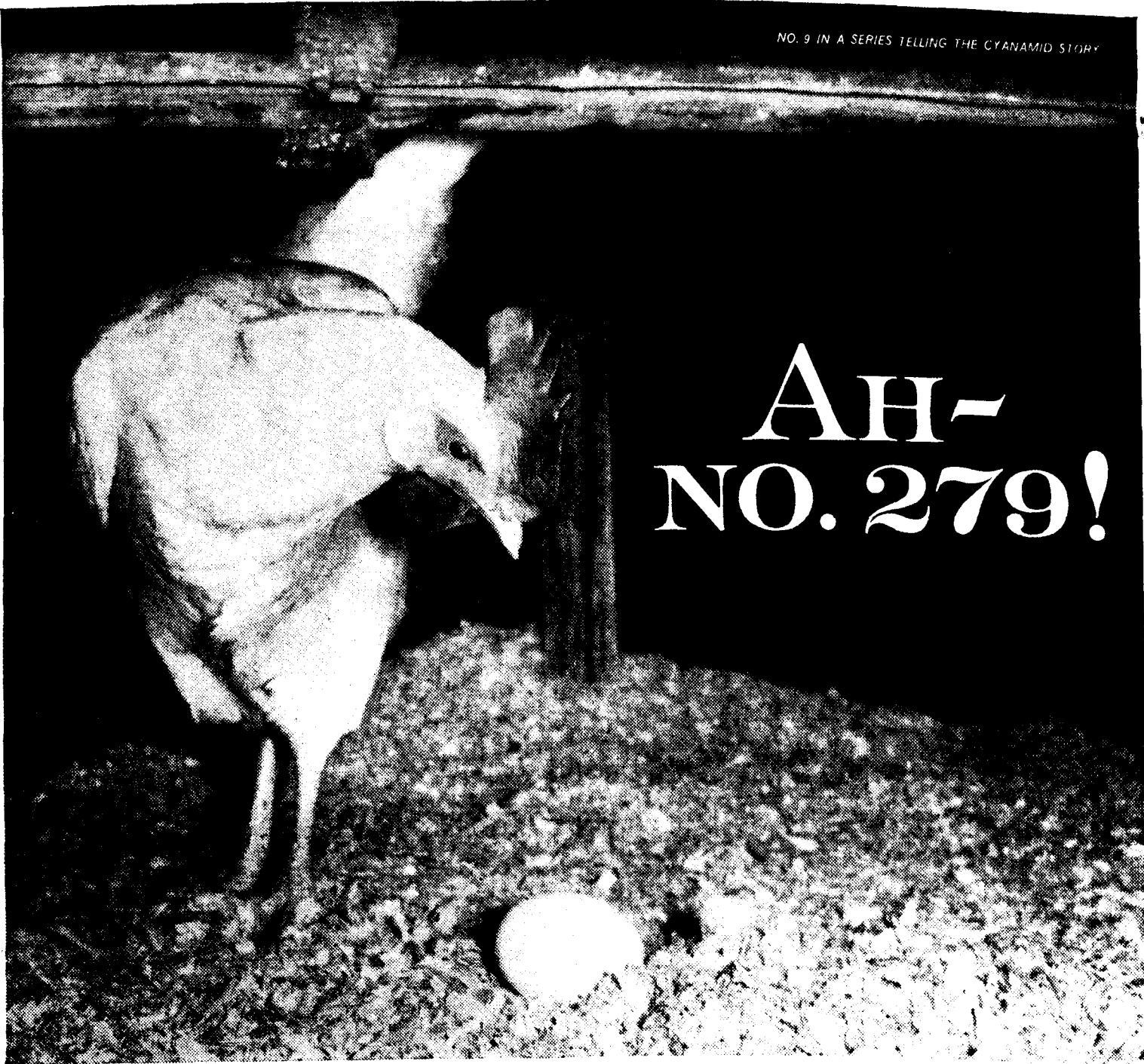
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The Economist

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The New Look



THE reorganisation of the Government, which has been talked about for so long, proved more dramatic than had been expected when it finally arrived on Monday. It was certainly a stimulating send-off for the Conservative party conference at Brighton, which is described from the spot on page 127. Inevitably the main interest centres on Mr Macleod's accession to two of the jobs previously held by Mr Butler, and on Mr Brooke's assumption of a job that has never been held by anybody before.

Mr Macleod's chairmanship of the Conservatives should be an immensely good thing for the party; he is their most effective orator, one of their ablest organisation men, and more likely than any other figure to give to the Tory organisation that appearance of dynamic mission which the country needs and the floating voters want. Among those who believe that Mr Macleod is the best next prime minister we've got, it has been generally and delightedly assumed that these changes also smooth his path to become Mr Macmillan's heir apparent. This is still a precarious prophecy to make. Mr Macleod will have no great state department behind him to give him weight in cabinet counsels; and, even when allied to the leadership of the House of Commons, the party chairmanship is not an automatic high road to power. The two previous election-winning heroes of the Conservatives' organisation (Lords Woolton and Hailsham) won plaudits from the party and the country rather than great political influence in the cabinet or practical advancement in their own careers.

Still, it is obvious that, at the very least, Mr Macleod has been given his chance. Inevitably, this has raised a flood of newspaper comment about the position of the existing heir apparent who has been *in situ* for so long. Nothing is certain in politics, and it is both premature and personally derogatory to take for granted that Mr Butler's star is now certainly in decline. He is in daily practice, though not in rank, the prime minister's deputy; and in addition to the stiff tasks that he is keeping at the Home Office, which must now include preparations for maintaining essential services if there should be widespread strikes, he wields a practised committee chairman's influence over many aspects of government policy. On the crucial common market negotiations, where his chairmanship of the presiding cabinet committee has now been announced, it may not be altogether an influence for good. But a chairman's influence is likely to become dominantly important only when the other members of the committee are either aimlessly drifting or hopelessly split, or when the prime minister himself does not hold determined views—and Mr Macmillan surely knows by now what he wants for Britain in Europe. Mr Sandys seemed to make it plain at Brighton on Thursday where the Government (and Mr Butler) ought now to stand.

The second most interesting feature of the shuffle—Mr Brooke's new post as Chief Secretary to the Treasury, entered on the cabinet's seniority list immediately below Mr Lloyd—is a large step in a direction that this newspaper has long urged; indeed it has apparently been something of a joke in Whitehall this week that the long advocacy by *The Economist* for installing "a second senior cabinet minister in the Treasury" has helped to create a new office for another of its former alumni (like Professor Cairncross, the new chief economic adviser to the Government, Mr Brooke was once, rather long ago, a member of this paper's editorial staff). Mr Brooke is to be responsible for supervising the control of government expenditure in both the short term (i.e. vetting of the annual depart-



Mr Brooke: arithmetic for policy?



Mr Maudling: Tory image?

mental estimates) and the long term (i.e. in the five-year forward looks for which the Plowden committee pleaded). So far, so good; but we still think it would have been better if this "second minister" in the Treasury had also been made responsible for supervision over the inland revenue department and over the tactical details of the annual finance bill and budget—albeit obliged to cast the latter in such a way as to exert whatever degree of net deflationary or reflationary pressure the Chancellor deemed desirable for the economy.

The real test of Mr Brooke's new office, as it has been defined, will not merely be how far he manages to extend the best modern methods of efficient control over all central government expenditure (and, on request, over some local government expenditure as well). It will also be whether he can extend his long-term surveys of spending trends for the next five years from being merely an arithmetical exercise into becoming the preliminary premises for policy-making. A great deal of new thinking about the social services now urgently needs to be done, and it needs to be tied directly to estimates of those services' variously increasing costs. Mr Brooke's desk at the Treasury is the logical place from which the new thinking about new priorities should now be co-ordinated. He will be a success only if, with the backing of his own superior, Mr Lloyd, he can get the other departmental ministers to recognise this.

MOST of the rest of the reshuffle of ministers seems to have been the resultant of these two promotions, and to have been dictated largely by a desire to show that the policies, as distinct from the men, are not being changed. Mr Maudling goes to the Colonial Office because he is the senior minister most obviously near to the same Tory image and generation as Mr Macleod. His friends should perhaps express two doubts about him. One is that in the free trade area bargaining three years ago Mr Maudling did not show the sinewy capacity to cut through difficult negotiations by boldly demanding at the last moment that he must be allowed subtly to stretch the terms of a too cautious, pre-determined brief; and this is just what a colonial secretary nowadays often needs to do. The other is that he might conceivably be more inflexible than Mr Macleod in refusing to negotiate whenever there is any continuing threat to law and order; in matters relating to the suppression of violence, Mr Maudling has the reputation of being a rather conservative, hard-boiled egg. But those who have suggested that he might be more frightened of Salisburyite criticism than Mr Macleod do not know their

Mr Maudling; indeed, because he is by nature a much less sensitive and less ambitious character than Mr Macleod, he might be rather more likely to show to his own party's extreme right wing that their strictures do not matter a damn to him.

Similarly, Mr Erroll moves from the second to the first job at the Board of Trade because he is the minister of state most nearly in Mr Maudling's image; Sir Keith Joseph comes in below him because he is the junior minister most like Mr Erroll; and so on down the list until Mrs Margaret Thatcher gets the junior job at Pensions because she is of the same gender as Dame Patricia Hornsby Smith. The one obvious change of character is at the Ministry of Housing and Local Government, where Dr Charles Hill (who will also be required to don the ill-tailored hat of cabinet minister for Welsh affairs) succeeds Mr Brooke. For party propagandist reasons Dr Hill was required at an earlier stage of his career to play the role of a rumbustious clown, and he has been longing ever since to show what a quiet and able administrator he may be. One's guess is that his determination to live down his propagandist past may at first inhibit him in some of his policies: perhaps particularly in those of his policies that should annoy Labour (e.g., in reforming the local government structure of London) though less so in policies that should annoy Tory interests (e.g., in permitting new towns to be built over "good agricultural land"). But when he settles down there can still be some hope that he will be the minister to remove the last vestiges of rent control in England.

ALL in all, these changes are to be welcomed. Despite Mr Grimond's rather churlish comments, this is one of Mr Macmillan's deftest exercises, with every one put on his mettle, and with the place of the more liberal left in the Tory hierarchy definitely confirmed—as some rebuffs to the right-wingers at Brighton have underlined. The changes signal the arrival of the new Tory generation at the doorstep of power, even though, partly because at least one retirement that had been expected has not taken place, Mr Macmillan himself is still surrounded by an older coterie of personal friends—in a cabinet which (with 21 members) is now too large for convenience. And the fact that there will be two ministers at the Treasury also provides a new hope that Mr Lloyd's perseverating energy may now be directed into wholly productive channels.

As a result of the redeployment, the Queen's Government possesses in some undefinable way a more dynamic look than it did a week ago; and October 9, 1961, may yet be marked as the date when the revolution in the Tory image which Mr Butler did so very much to create in the 1950s finally ensured its right of continuing succession. Besides this potentially great achievement for British history, it is a relatively small matter of personal speculation whether the revolution is or is not eating its undoubted father in the process.

Tory Persons and Policies

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Collision Course

Each believing that the other is hard of hearing, West and East have not reached even the beginning of real negotiations

MR GROMYKO is an important messenger, but he is not one of the makers of Soviet foreign policy; Mr Khrushchev has more than once let slip what he thinks of foreign ministers. It is not astonishing that his series of meetings with the Secretary of State, Mr Dean Rusk, culminating in the long talk with President Kennedy on October 6th, should have left an inconclusive, unsatisfactory impression. Many people have hastened to claim that the talks were a failure: Frenchmen who hold, with General de Gaulle, that negotiation is at present a mistake; Germans, like Herr Grewe and Herr Willy Brandt, fearful of the repercussions in their country when the redoubtable last instalments of the "bill" for the second world war are presented; right-wing Americans, indignant that their government should appear "soft," and not averse to tarring Mr Kennedy with the brush of appeasement. Tight-lipped American government spokesmen have done their best to counter these gloomy assertions, but not with anything more cheerful than hints that the Gromyko talks had left things much as they were.

And so they had. On his way back from Washington to Moscow, Mr Gromyko stopped in London on Wednesday and saw Mr Macmillan and Lord Home; and once again the only crumb of satisfaction thrown out from the talks was that the Russians, like the West, would actually prefer negotiated settlements in Berlin and Germany to unilateral action which might lead to war. Soviet diplomacy, ham-handed and heavy-footed, has largely itself to thank that such an elementary discovery needed to be made at all. Mr Khrushchev has much personal blame to bear himself. Contemptuous in success, rumbustious in adversity, pugnacious at all times, the Khrushchev manner went very far this summer to convince the West that he was itching to pull down about the West's ears what is left of international law and order. The Soviet military measures, the prolonged and resounding resumption of nuclear tests, and the bitter onslaught on the United Nations have sown the idea that the new Russia actually prefers to rely on force. As a summary judgment, this is probably false; but Moscow has done much this year and last to make it plausible and widely held.

Precisely because it is so widely held, among many of his own people and by certain of his allies, Mr Kennedy is having great difficulty in getting his hands free to embark on a serious negotiation with the Russians at all. First he must know if talks can be held otherwise than under direct Russian threat. Next he must know if there is anything that can be negotiated about; this has involved both a mind-clearing operation on the western side, and an exploration of the Russian motives and objectives.

When the American policy-makers attempt to separate, as they have been quietly doing, the irreducible western requirements from the attitudes and aspirations that could be modified or deferred, alarm spreads in Germany, as was shown by the reaction to General Clay's no doubt experimental remark in Berlin on September 22nd that the west Germans might have to "face facts"; it also ferments among those who put

"appeasement" among the first of international dangers, basing their philosophy of world relations today on the not very enlightening analogy of Munich, 1938. An embarrassing number of people, inside and outside the United States, are therefore watching hawk-like for evidence of American lack of backbone; the preserving of face, dignity and prestige is therefore more important to Washington just now than it ought to be.

FOR all these reasons a substantial part of any American-Russian colloquy at present is taken up with the earnest American effort to bring home to Moscow that America is not weak, is not in a weak frame of mind, regards any threat to western rights in Berlin very seriously, and cannot be provoked without terrible danger. It is very likely that when Mr Rusk, after his talks with Mr Gromyko in New York, sent the Soviet Foreign Minister on to see the President in Washington, he did so because he thought this point needed to be rammed home some more, not because Mr Gromyko had produced any unexpected or encouraging proposals that needed Mr Kennedy's attention.

What of the other side in these colloquies? Mr Gromyko spent two hours and ten minutes with Mr Kennedy—not such a long time, if one remembers how much these occasions are taken up by the interpreters. The first hour is reported to have been expended on the reading, and translation, of a memorandum Mr Gromyko had brought with him. New proposals from Moscow? Words of understanding for Mr Kennedy's position from Mr Khrushchev? An ingenious new procedure for handling the dispute? None of this is likely. For it is not only the Americans who are anxious, on these occasions, to say again with emphasis what they have said before, in the belief that when they last said it it did not sink in. The Russians, too, are convinced that what they have said so often cannot have been properly heard, or so little notice would not have been taken of it. They, too, like to leave no possibility of misunderstanding. Often when Mr Khrushchev raises his voice and causes trouble, it is with this simple purpose in view. Without much doubt Mr Gromyko informed Mr Kennedy once again, in dogged bureaucratic Moscow language, of what he must by now know so well, the elements of the Russian position about Berlin, Germany, and the security of Central Europe.

Other Russians have been busily explaining these familiar elements at less exalted levels where a western audience could be got together to listen. Thus Mr Alexei Ajubei, the editor of *Izvestia* and Mr Khrushchev's son-in-law, has lately attended unofficial round-table meetings on this complex of related subjects in London, Rome and Warsaw, each time bringing distinguished colleagues with him from Moscow. At the Warsaw meeting of journalists, on October 2nd and 3rd, numerous delegates from the other Warsaw Pact countries, including a strong and intellectually respectable east German group, supported the Russians in stating their case. On such

occasions the western technique of patting the ball of discussion back and forth goes only a certain way; the communists feel bound to reply with systematic expositions of the subject, starting at the beginning.

Invariably the beginning is the same, though a historically-minded Pole may take it six centuries further back: Russia and eastern Europe suffered terribly from German aggression, and are determined not to go through the same experience again. The unsettled remnants of the second world war are untidy and dangerous. Unrecognised states, like east Germany, and unrecognised frontiers, like the Oder-Neisse Line, offer temptation to "political and military adventurers" (read, the west German government and the Bundeswehr) to try to upset them by force; the attempts would fail (the communists argue) but a world war might start in this way. A key part of the argument is that west Germany is run by unrepentant Nazis, militarists and nationalists, bent on restoring the Reich.

To stop the use of Berlin as a weapon against east Germany—and hence against the whole existing order in eastern Europe—west Berlin has to be given a new "free and neutral" status. This, whatever room it left for a western military presence, would certainly have to break the city's existing links, largely extra-legal in character, with the German Federal Republic. This is the one change proposed in eastern Europe to stabilise the rest of the *status quo* there. Stabilisation will not be complete without a peace treaty, which ought to demilitarise and neutralise all Germany, starting with a prohibition of nuclear arms; short of that, a one-sided treaty with east Germany will have to regularise the position there.

MUCH of this argument is naturally regarded in the West as sheer fantasy; it is necessary to remember that the rulers in Russia—and in eastern Europe—believe every word of it, literally. Only a small minority in the West would really want to deny the Russians, the Poles or the Czechs, security against German attack. What the majority cannot do is to accept the communist contention about the nature of the German Federal Republic, or base a European settlement upon that contention. The communists, who harp endlessly on the terrible history of eastern Europe as the basis for their fears and their demands, conveniently forget those parts of history that the West feels imperatively compelled to remember—and notably, the enormous errors of Russian policy between 1945 and 1952. It was that period, Stalin's last years, that produced the division of Germany and the inexorable compulsions that brought west Germany into Nato, into the institutions of free Europe, and into the western community of nations in its widest sense. It is ludicrous to ask the West to conclude, on the basis that those events would have gone better unrecorded, treaties that assume Germany to be the prostrate, guilt-ridden form of 1945.

It is across this appalling gulf, not primarily of ideas about society or the future, but about the hard facts of national life in central Europe, that the would-be negotiators of Washington and Moscow have somehow to make contact. Mr Walter Lippmann has argued forcefully this week that the American President must not permit his allies, or his right wing at home, to drive him into a corner where he cannot negotiate; and that it would be better to devise a new, active and genuine international function for west Berlin than to hold it indefinitely by the threat of war. Certainly, he has rightly diagnosed

the West's present weakness as its lack of anything positive to propose.

This is more relevant to the West's position than the mechanical cries of "Munich" that still resound at any indication that Washington is giving serious thought to the future. Still, it must be clear that, while the Russians may be induced to accept a set of improved arrangements for west Berlin, and even possibly to impose them temporarily on the east German government, such arrangements by themselves are not going to stop the arms race, or to persuade the Russians that they are not threatened in Central Europe. The mere knowledge of this reinforces the entrenched attitudes of both sides, making a Berlin agreement more difficult than, by itself, it need be; it also ensures that the European tension will no doubt continue after a Berlin agreement, even if one is reached. The preference of both sides for negotiation is only one point gained; they are still on collision course.

Testing in the Kremlin

Mr Khrushchev has to explain the changed international outlook to his party, while the Russian people and the West watch for the fall-out

A TEST starts for Mr Khrushchev on Tuesday. The 22nd congress of the Communist party of the Soviet Union will not open in quite the international setting he may have once imagined. Party congresses are always important occasions in Russia. It is the party that, at least in theory, rules the Soviet state. The 1,700 or so delegates who will gather in the vast new Congress Hall of the Kremlin are the chosen audience for important policy announcements. The first secretary of the party—and this is Mr Khrushchev's title that matters—will report to them at length on the key events, home and foreign, since the last congress. (In form, since the 21st congress in 1959 was an extraordinary one, called to ratify the seven-year plan, he should go back to 1956, a fearsome prospect.) He has to give the delegates an assessment of the current situation and a pre-view of the future.

Key themes from this marathon oration are then taken up by the leading figures in the hierarchy; since Stalin's death it can even happen that their interpretations differ, if only subtly, in tone. On the closing day, the new ruling organs—the central committee, its presidium and secretariat—are elected, and the turnover at the top is revealed. Finally, it is now becoming the fashion to take advantage of the presence in Moscow of the representative communist leaders from all over the world to crown the Russian gathering with a session of what might rightly be called the Communist International.

This 22nd congress was designed to be even more important than usual. It was to look further ahead and aim higher; it was to herald a new era in Soviet society. For this purpose, a new party programme was published at the end of July, the first since the Bolshevik manifesto of 1919. By projecting far in advance the current rates of growth, the programme

mapped out the Soviet road to prosperity. Mr Khrushchev was chosen—to nobody's surprise—to present this new charter to the congress. Mr Kozlov was commissioned to introduce changes in the party statutes in keeping, at least on paper, with the progress in prospect. Both documents were published well beforehand to get publicity abroad as well as in Russia. Nature obliging with a good harvest, all seemed set for a tremendous performance in which claims of economic achievement could be coupled with pledges of even more ambitious growth, and boasts about "overtaking the United States" could mingle with descriptions of a future communist society. Mr Khrushchev, patron of the new Soviet age, was to appear before the Russian people as the man who would lead them, after the generation of Stalinist blood and tears, across the threshold of plenty.

SOMETHING went wrong with the stage-management. Mr Khrushchev's vision of the future was overshadowed by clouds on the international horizon. The slogan of plenty is inseparable from that of peace; but where, today, is peace? Military marches have cut discordantly across the harmony. Mr Khrushchev, for five years the champion of peaceful co-existence, the man who had cut down the Red Army in the name of putting economic progress first, now chose to keep the national servicemen longer under arms and to preface his major performance with a series of nuclear bangs. Why?

The Soviet pressure to get a settlement of the Berlin question is not itself the new element that caused the change. Ample notice had been given that the Russians would seek some success on this front before their congress. The puzzling element is the resumption of nuclear testing six weeks ago, so soon after the announcement of the economic programme, and so shortly before the party congress. Years of propaganda about the dreadful effects of fall-out were turned overnight from an asset to a liability. Communists in various "peace movements" were left on a limb; the neutrals gathered in Belgrade last month were put on the spot. Mr Khrushchev's own image as peacemaker was tarnished not only for outsiders, but for the Russians as well.

To say that Mr Khrushchev listened to the advice of his military scientists does not explain why he did so just now, or why he had not yielded to them earlier. One explanation is that, for all their spectacular successes in rocketry, the Russians have gaps in their nuclear arsenal and that they felt it imperative to complete their range of weapons in order to make brinkmanship possible in the Berlin crisis. A complementary explanation is that Mr Khrushchev did not want to face his communist critics—who are still to be found in Moscow, not only in China—naked in the council-chamber after years of strenuous diplomatic exertion and countless changes of tactics. He may even have thought that his bangs would spread such alarm as to drive the western statesmen rapidly to the conference table and that he would be able to show the congress the shape, at least, of a favourable settlement of the Berlin question. Then, in a wider international conference, he might have hoped to try to revive a new version of his plan for total nuclear disarmament and, by hammering on this point, obliterate some of the ill-effects of his previous move.

If this was Mr Khrushchev's calculation, it has not paid off—yet. By way of a Berlin settlement, or of tangible grounds

for claiming that a settlement is coming, the Russians have still nothing to show. Nor can they produce invitations to a major summit meeting. Without one or other of these, their economic celebration will be more than a little forced and uneasy. It is not yet known where Moscow stands after Mr Gromyko's soundings in the United States and London. Some answer will be provided next Tuesday in Mr Khrushchev's marathon oration. If the emphasis is on vigilance, tension and the arms race, the Moscow show will have neither the shape nor the success that was originally envisaged, but the immediate prospects for international negotiation will also be gloomy. If, on the other hand, the stress is laid on economic progress and competition, if the current difficulties are shown as a transient phase in peaceful co-existence, it may be a sign that the Russians still hope for a successful outcome to their diplomatic offensive.

One objection to this whole argument is that the congress as such does not matter for Mr Khrushchev. The congress will applaud whatever the tune. Some elements of "democracy" may have penetrated, since Stalin's death, into the presidium or even occasionally into the central committee; they have certainly not spread to the vast congressional body. Judging by precedent, about a third of the delegates will be "workers of distinction," rewarded with a seat for some economic feat. Three-quarters of the delegates, at least, will be over forty, trained in the Stalinist methods of disciplined enthusiasm. But the real audience is the whole Soviet Union, and it is no longer a nation of frightened time-servers. Two minor but significant instances of a stirring of intellectual discontent are discussed on page 116. The best proof that Mr Khrushchev is aware of this public opinion is the fact that he has done his best to keep the Soviet people in the dark about the Soviet resumption of nuclear tests.

TO his own as to the European public, Mr Khrushchev has a stake in appearing reasonable. To the international communist élite whom he will probably face afterwards, he has to show the achievements and prospects of his diplomacy, or, more precisely, of the alternate bouts of wooing and disputation that still pass for diplomacy in the Soviet book. Most of the European communist leaders will rally to him if he pleads for negotiation and a compromise settlement. But, in his world, it is only success that succeeds; there will be many besides the Chinese to draw attention to failure, or to the lack of any prospect of success. To argue that Mr Khrushchev is dancing to the Chinese tune is absurd. To assume that he can, as Stalin could, entirely ignore critics within the international communist movement, or within his own party, is equally unreal.

This is the test that Mr Khrushchev faces. The success of his whole programme, not merely of the set-piece in the new Congress Hall, is at issue. If the intensified arms race continues for very long, the whole economic edifice on which Mr Khrushchev has tried to base his own claim to power and glory will have to be reshaped on lines vastly less attractive to the Soviet peoples. In the coming days of oratory, in open and secret session, he will be struggling to preserve—more exactly, to revive—his chosen image as Nikita the Bountiful, the Peacemaker. His efforts will be watched anxiously by the outside world, which by now should have no illusions about the basic purposes of Soviet foreign policy.

Memo to Mr Maudling

Here we voice our private vision of the changing of the guard at the Colonial Office
in the form of a valedictory from Mr Macleod

Dear Reggie, Don't worry immediately about Pitcairn Island. It's only two square miles; the 140 people there have the vote; anyway I am sure that they do not yet feel ready to apply for membership of the United Nations. You'll find we have rather a lot of islands and dependencies, but you cannot be expected to place all of them. There is a list somewhere in this desk. The problems of the ones in the Western Pacific are not urgent.

There is another group called "Atlantic and Indian Oceans." Aden and the Protectorate are in it; our man in Aden, Sir Charles Johnston, is continuing the talks I started in London in June. They must have a new constitution, but there may be some bother about bases, and it could be that pretty soon you will have your first experience of civil disobedience. With Mauritius, the problem is that there are too many people. We've given them self-government; they may now seek protection (from each other) in an east African federation—if we can only get the east Africans to demand federation.

In the Caribbean, Jamaica has let us down. But it may be possible to persuade Eric Williams in Trinidad to take on the rest of the islands in a smaller federation, especially if the Americans can be talked into giving a reasonable amount of aid. If the Americans balk at this, trump them by saying "Cuba." If Selwyn baulks at extra money for Jamaica and Trinidad from us, trump him by saying "immigration."

Across in British Guiana, Cheddi Jagan thinks he's in a position to frighten the wits out of everyone. We have agreed that some time after August, 1962, we will talk with him about independence; however, you may think it wise to do some homework on this before then. Brunei, North Borneo and Sarawak can be given to the Malaysians, who are willing to go with them and Singapore into a "Malaysia" federation, but a constitution must be devised to balance the Malay power against the Chinese, who, as usual, are too numerous to make this easy. The Tunku is coming over in a few weeks' time.

I sent the Uganda delegates home with a new constitution on Tuesday, and promised them full internal self-government in March; elections in April; and independence on October 9, 1962. If I were you, however, I would still keep an eye on Uganda. What we've done is to follow Munster's report pretty closely. Buganda will be federated with Uganda. The Kabaka's ministers won't wear direct elections to the central legislature—and Kiwanuka, chief minister of Uganda, won't have indirect elections through the Baganda parliament (they call it Lukiiko). Kiwanuka is—rightly—afraid that a Baganda bloc in the central parliament might do a deal with his opposition and put him out. Anyway, the compromise solution is that the Lukiiko will be made 68 per cent democratic—32 of its hundred members will be chiefs or the Kabaka's nominees or officials—and the Lukiiko is going to be allowed to choose between direct Buganda elections to the central parliament, and electing delegates itself. We've had to allow Buganda its own police force, and entrench its local powers and traditions pretty deeply into the new con-

stitution. The other traditional-minded tribes have got about half of what we've given Buganda. It may not all blow up after independence, but watch it.

KENYA, I'm leaving you in a somewhat less tidy state. Kenyatta has been a disappointment. He has not united the tribes, he has been rejected by some of the politicians, and his old-guard friends are scaring our settlers there half to death—and we'll surely have to look after the settlers. You will have to feel your way in Kenya, but briefly, this is the form. Mboya and his friends lead Kanu; Odinga Oginga plays Michael Foot to Mboya's Cousins; there's no Gaitskill in sight. But Kanu has by far the most supporters in the country, and Mboya is a pro-western, orthodox African nationalist, and the best brain there. Kanu is mainly supported by the Kikuyu and Luo tribes; the other tribes are afraid they will be knocked on the head after independence, and the other politicians are scared of becoming Danquahs and Appiahs. They have formed Kadu and now a rather clever young man in Kadu, Peter Okondo, has come forward with a plan for a sort of tribal federation, giving the central government weak powers and chaining the executive even more severely than the American executive is chained. These chaps are reasonable and want to protect themselves from Kanu, but they are not the force of the future in Africa and their drive to unity is not strong. Look at Okondo's plan—but, if I may say so, Reggie, Kadu in Kenya is roughly equivalent to Efta in Europe; not the right horse to back, perhaps? Though, like Efta, they are nice people.

In Northern Rhodesia, keep talking, and keep vague. Last year the Africans and the Europeans wouldn't look at each other; now they are quarrelling about whether candidates in the next elections have to get 12½ per cent of each other's votes, or 5 per cent. The first figure will probably put Roy Welensky's men in; the second, Kenneth Kaunda's. You want to get as near to the second as possible; the trick is alternately to calm the one down by making the other cross, and *vice versa*. Don't bother going to see Kenneth Kaunda; he'll turn up. Sir Roy won't, but you may find him on the PM's doorstep. If he gets too difficult, get Duncan to talk to him. But keep the peace. I've got an election campaign to shape.

That's about it, Reggie, and best of luck. There are still Malta, Gambia, and (you will find) the high commission territories of Swaziland, Bechuanaland and Basutoland—we must argue with Verwoerd about them one day. But you have to leave something for Jimmy Callaghan.

/ain

P.S. Tristan da Cunha may have to be crossed off.

NOTES OF THE WEEK

EUROPE

A Good Start

IN Britain, where the common market battle has been raging hotly for some months now, and where Mr Heath and Mr Sandys have just been triumphantly engaged with the hosts of Little England on the Brighton beach—there is a despatch from the Conservative conference on page 127—it is clear enough that the Government has made up its mind to join the European community and do its best to make it work. On the Continent, not everyone has got the message yet. Mr Heath's main task in Paris, when he expounded the British position to the council of ministers of the Six on Tuesday, was to deliver it as forcefully as possible. A look at French press comment on this preliminary round of the negotiations for British membership suggests that he has had a creditable success.

Two parts of his speech, in particular, seemed to impress his hearers: the acceptance of a common agricultural policy, and the willingness to share in the arrangements for political co-operation which the Six set in train at their July meeting in Bonn. It is in agriculture that France's economic interests are most immediately at stake. The political arrangements are important to all the Six: as Professor Hallstein said, "We are not in business, we are in politics."

Both these matters touch sensitive spots of the British body politic; sovereignty and

agriculture are sore points with Tory rebels. But after his successful meeting in Paris Mr Heath has at least been able to present the sceptics (including Mr Butler?) with evidence that boldness pays in European dealings.

The six ministers appear to have been surprised—perhaps, indeed, somewhat taken aback—by the fullness of the British explanation; replies were not attempted. But the detail of Mr Heath's statement, and the clear acceptance of so much common ground with the Six, ought to mean that the full scale meetings planned for November can get down quickly to serious negotiation about the knotty trade problems of the Commonwealth.

One other useful step towards a united western Europe has been taken this week in Geneva. The three neutrals, Switzerland, Sweden, and Austria, are at last working out the terms for a joint application for association with the common market. Their desire to be inside economically and outside politically may prove even more difficult to satisfy than the special British wishes. But at least the neutrals are getting over their rather cross desire to go it alone, while on the side of the Six the feeling that neutrals can be left to stew in their own juice seems slightly on the wane.

IMMIGRATION

Gently Ban Your Brother Man

THERE is an arguable case for limiting the entry of black-skinned people into this country. It rests on the proposition that an apparently sizeable minority of white-skinned people fear and resent them, publicly denigrate them (even from political platforms), disseminate racist literature about them (even at party conferences) and, from time to time, have to be restrained by the police from physically assaulting them. These are the grounds on which Mr Butler should approach the Commonwealth governments over the restrictions which he (with a suitably hangdog air) virtually promised the Conservative party on Wednesday. Undoubtedly the West Indians, the Pakistanis and the rest would appreciate his predicament better if he did. There is no excuse whatever for the hypocrisy uttered, with few exceptions, by the Tories at Brighton to justify the very end they are, it seems, ashamed to admit. There is no wish to hurt the Commonwealth... the question of colour does not arise... the measures, of course, must be applied to

Commonwealth immigrants generally... Who believes a word of this? Still more, who believes that any West Indian, from Mr Manley to the rawest Jamaican off the boat, can believe a word of it?

If the explanations put up at Brighton are taken at their face value they amount to a sorry confession. It means that the professed way of life of a country of 52 million people is jeopardised by the presence of a coloured population of less than one per cent of the whole (and by the existence of 3 million more on the other side of the Atlantic). It means that there are fears for the welfare state because 14,000 coloured people are currently unemployed in Britain. It means that the absorption of 50,000 white immigrants annually (from former colonial territories like Ireland and Australia) is equally out of the question without a weighty inquisition at the ports. This does not make Britain look illiberal by other countries' standards; but it does make Britain a laughing-stock.

No one claimed at Brighton that the

British economy is not the better for the immigrants that have arrived up to now, that the buses could not be run, the hospitals staffed or even the harvest gathered in without them. Instead of bleakly putting up the shutters, is it not more sensible to try other means first, including the provision of well-publicised but purely voluntary employment bureaux in the West Indies where more immigrants could ensure themselves employment on arrival without scandalising the British taxpayer by claiming national assistance? The machinery that Mr Butler has in mind may be tempered with humanity: it will still be impossible to operate without palpable charges of prejudice. Lord Home talked finely of Christian principles and Mr Macleod recited the easy sentiment:

*It's coming yet for a' that...
That man to man the world o'er
Shall brithers be for a' that...*

They were addressing, of course, the Russians and Rhodesians.

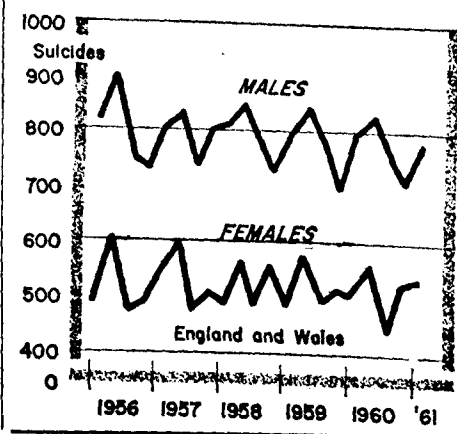
ECONOMIC POLICY

Again and Again

THE Minister of Labour is no doubt full of excuses for his actions in granting statutory enforcement to the wage increase recommended by the Road Haulage Wages Council, and in eating the words of a previous reference back by doing the same thing for two other wages councils' recommendations as well. His arguments are that

FEWER SUICIDES

The 1960 total of 5,113 suicides was the lowest since 1955's 5,000, with, as usual, the highest incidence in the second quarter. As people grow older they are more likely to commit suicide although most attempted suicides are of young people made by those in their twenties. Poisoning is by far the most common method of committing suicide, with hanging for men, and drowning for women, second.



these recommendations were provisionally promulgated before Mr Lloyd announced the pay pause in July and that some of the employers, as well as the unions, regarded them as a commitment; that he will not allow them to take effect until January 1st; and that, in withdrawing a little on this front, the Government may be better able to fight the eventual wages battle on a front which public opinion will regard as more "reasonable."

The fact remains that this is the second bad economic mistake made by the Government in successive weeks. Once again, apparently, it is necessary to spell out the simple reasons for Britain's poor economic record since the war. The reason for our relative stagnation has not lain primarily in lack of planning machinery or anything of that sort. The main trouble has been that we have constantly fought inflation and our currency troubles in the most inefficient and expensive ways, through over-reliance on high tax rates and other restrictions which serve to hold back demand and production without exerting any other direct effect whatever. We have constantly shied away from the direct and efficient method of fighting cost inflation by damping down pay increases, and we have intermittently shied away from attracting support for sterling in its very difficult role as an international currency by the direct method of keeping interest rates very high.

Last July, in a deep crisis, the Chancellor at last seemed to have resorted to both these direct methods at once, plus some other weapons as well. As soon as the economic situation improved after July, the Government's first step internally should have been to rescind the special increases in indirect tax rates which the Chancellor then also made, and its first step externally should have been to use some of the foreign money that has flowed into London to repay part of the loan from the International Monetary Fund (thus revitalising that institution for the part it must play if sterling's position as a key international currency is to be bearable for long). Instead, in response to the usual departmental pressures from the Bank of England and the Ministry of Labour, the opening steps in this small springtime of recovery have been to lower Bank rate by a half of one per cent and to make a sort of half of one per cent thaw in the pay freeze. This is to put national priorities of efficiency in economic policy quite ludicrously the wrong way round.

WAGES

The Allies

THE Minister of Labour's half-concession on three wages council awards can only add vigour to the unions' claims in another field that looks more dangerous—that of the so-called M-workers, the less-skilled government employees in service

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establishments, airports and so on. Their pay is normally reviewed at six-monthly intervals, when it is brought into line with pay in outside industry: in April the London rate went up by 4s. and the provincial rate by 3s. The unions now claim that the October review should give a rise of 2s.; but the Treasury says that, while it is willing to go through the regular process of working out the new level, no increase will be paid until the pause is officially over.

The main union champion in the battle of the wages councils has been Mr Cousins (who has remarked cryptically that he was never worried about road haulage anyway): the M-workers' claim, however, has created a formidable, if implausible, alliance between Mr Cousins and Sir Tom Williamson. The allies claim that the agreement to review the government industrial workers' pay at six-monthly intervals was as much a "prior commitment" as anything that goes on at a wages council: next Thursday they are to wait upon the Prime Minister, the Chancellor and poor Mr Hare, a reception committee that shows how seriously the Government takes these heavyweight opponents.

One argument that the ministers are bound to hear is that, when private industry is paying more, it is unfair that the Government should not do so too. But the wage increases and reductions of hours granted by Ford Motors and by the building employers are a very different matter. Not only are they the result of long negotiations, but they also allow for productivity increases by cutting unnecessarily long tea-breaks. Even though the employers have not got all they would have liked out of the unions on this score (at Ford's they have even reached an absurd compromise whereby the morning tea-break will not allow a man time to smoke even a Woodbine), they have at least made the point that even minor interruptions in the rhythm of work are a serious matter in flow-production industries.

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The largest wage-claim at present is that tabled by the engineering unions on July 17th. If the Government fails to hold the line on pay rises for its own workers, the position of the engineering employers would become impossible: and on the strength of their stand depends the whole future pattern elsewhere. This is the answer that Mr Macmillan, Mr Lloyd and Mr Hare should have ready. Even the thought that they have, uniquely, created an alliance between the poles of right and left in the Trades Union Congress should not deter them.

ARAB AFFAIRS

Far, Far Better Thing

PRESIDENT NASSER'S talent for transmuting defeat into victory has at times provoked grudging admiration. His courage, and his realism, in promptly accepting both military and political defeat in Syria have won him a personal victory that has been saluted from many quarters with sincere and spontaneous accolades. Seldom do losing battles get called off so quickly; no Light Brigade nonsense for President Nasser, and quite right. To launch a full-scale political campaign must have been much more of a temptation; the means were to hand and a measure of success was likely. Instead, President Nasser smartly pulled the mat from under the feet of most political commentators, including *The Economist*, by announcing on October 5th that national unity in Syria must be put before anything else, and that he would therefore not oppose Syria's admission either to the United Nations or to the Arab League. Nothing in the life of the union of Egypt and Syria has become President Nasser so well as the ending of it.

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Taking its lead from Cairo, comment in the Arab world is, for the moment, pitched low. Only Amman, having by now little to gain from prudence, rages on with its exhortations to the Egyptian people to follow the Syrian example. Cairo radio, more in sorrow than in anger, looks to a time when imperialists and opportunists will once again scramble over the sick body of Syria. Unwilling to bear the odious label of separation, the Syrians countered on Wednesday by announcing a scheme for a new Arab confederation, with a central parliament and a joint military command, but a wide devolution of domestic powers. These are the cross-winds of propaganda; the real subject of debate between Cairo and Damascus has to be the disheartening process of disentanglement. The two governments have taken issue with each other over their conflicting versions of the economic situation, and although both have suggested an investigation committee from the Arab League, each has set terms of reference that are likely to be unacceptable to the other.

The Soviet Union lost little time, after President Nasser cleared the way, in recognising the new government: the United States held off until Tuesday. But the new men in Syria may have experienced mixed reactions both to the Soviet Union's prompt recognition and to the support that has come from their local communist leaders. Our Middle East correspondent describes on page 147 the fumbling for political position that is now going on in Damascus. Possibly one of the main reasons why the conservative caretaker government hesitates to allow the resumption of party activity is that it has not found any tactful way out of the embarrassing quandary of how to allow freedom to some parties but not to all, and especially not to the communists.

GERMANY

Medicine Man

WHATEVER stature as statesman the history books one day accord to Dr Adenauer, they can hardly fail to grant him mastery in political manoeuvre. Three weeks after the election which destroyed his parliamentary majority, all the signs are that Dr Adenauer is set for yet another spell as Chancellor. Herr Mende, leader of the Free Democrats, Herr Strauss, and the other Christian Social and Democrat politicians who gaily greeted the election result as marking the end of the long reign, seem to be eating their words with only the mildest signs of indigestion.

The final decision, it is true, is not yet made. All that has happened is that the Free Democrats, who hold the balance in the Bundestag, have discovered a good deal of common ground with the Christian Democrats in their talks on a possible coalition. The FDP is still in process of making up its mind whether it can really turn about and join a government under Dr Adenauer;

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the party may hold a special meeting to decide. Some differences of emphasis in policy also remain—a certain caution in the FDP about integration with the West, a desire to curb the excesses of the welfare state, a greater flexibility in eastern policy. But the broad lines of policy for a coalition government are agreed. And now that the CDU has decided that Dr Adenauer shall stay on, it is difficult to see how anyone else can head it.

The reversal of fortunes owes much to the feeling that any nasty foreign policy medicine that Germany has to take in the next few months is better administered by the old family doctor—a feeling evidently shared by other candidates for the chancellorship, like Dr Erhard. Any new coalition will doubtless be formed on the understanding that Dr Adenauer will hand over within a year or so when the difficult period is over, even though the condition may not be publicly expressed and will certainly be difficult to enforce. As if to rub the point home Dr Mende is expected to stay outside the government, and the FDP is not bidding for the highest posts. In particular, the key Foreign and Economics ministries are being left to the CDU; Dr Erhard will remain deputy chancellor and next in line for the succession. The reservations are at any rate interesting in theory, but there is little doubt that, if this design is adopted, the day will have gone in substance to Dr Adenauer.

CHINA

Fingertip

THERE is a depressing irony in the latest twist of circumstances in the Far East. The statement by Marshal Chen Yi, the Chinese foreign minister, that he would have no objection to meeting his American counterpart, Mr Dean Rusk, might be construed as the extension of a fingertip of conciliation towards the United States. Unfortunately, the fingertip is extended just when President Kennedy is least in a position to accept it. Marshal Chen Yi's conversation on Wednesday with the general manager of Reuters contains several signs of a new-found moderation on China's part. The marshal said he wanted to remove the apprehension caused by "distorted" reports that China advocated war as a way of settling international quarrels. (Moscow papers please copy.) He added that the communist government sought to avoid the mistake of not taking the feelings of other countries into account; though it is hard to square this sentiment with his odd assertion that there would be less chance of war once China had acquired nuclear weapons. One reason for Marshal Chen Yi's uncommon mildness is to be found in his admission that China's living standards had been "a little tight" in the past three years—a tightness caused, he acknowledged, not merely by natural disasters like droughts and floods but also by the "adjustments" it had been necessary to make in the current five-year plan.

But the marshal made it clear that the United States would have to make the first move towards negotiations; and that, if any of the points at issue between the two countries were to be resolved, the Americans would have to make concessions. "For example," he explained, they might withdraw their forces from Formosa. In saying that he feared Formosa was being used as a base to undermine the communist regime on the mainland, Marshal Chen Yi might just possibly have been hinting—in contrast to the burden of other Chinese statements—that Peking would be satisfied if the Americans acknowledged the existence of the Peking government, or at least stopped using Formosa as an irritant. But negotiations on this or any other question still look distant. It seems clear that Mr Kennedy has postponed, if not abandoned, the ideas for a new approach to the Chinese question which he brought into office with him. He has been obliged to do so because of the opposition, from a powerful section of his own party as well as from the Republicans, to granting any concessions; presumably this opposition, now that the President is being accused of "appeasement" over Berlin, constricts him more forcibly than ever.

TEACHERS' PAY

Second Thoughts

JUST how wide a gap now separates the National Union of Teachers from Sir David Eccles? To no one's great surprise, and the huge relief of many union members, there are to be no prolonged regional strikes over the difference of £5½ million between the Eccles and Burnham salary scales. The NUT ballot on the extended strike issue has thus served everyone's purpose pretty usefully. The militants have shown their teeth in particular regions (in one of them, Coventry, the local executive initiated a work-to-rule policy on Monday), but the broad consensus of feeling has been reluctant to go too far. The chief impression created by some of the regional returns is that support for tough action was strongest in those areas where a good many teachers are normally Labour voters and in others where professional status has been particularly jeopardised by the rising cost of middle-class housing. Conclusions are obviously difficult to draw, but one suspects that this may not be too far from the truth.

The teachers' restraint is entirely sensible, and all the more so in view of the minister's broad hint last month that, since he will not set a terminal date for his own award, a new and more favourable salary agreement for England and Wales can be expected when the present Scottish agreement runs out in March, 1963. The idea is gradually getting through that the teachers stand to gain more in this way than they would have done from a straight £47½ million award that would have run for the full Burnham period until

The Economist

OCTOBER 12, 1861

ON BEHALF OF BONDHOLDERS

WE certainly admit that the English Government is not bound to negotiate in behalf of English capitalists who have lent money to foreign States. We think it has a discretion whether it should do so or not. In the case of Mexico, our Government thought there was a case of peculiarly gross fraud, committed under circumstances which did not extenuate but enhance its guilt. It therefore voluntarily chose to interfere. The Mexican Government voluntarily chose to promise the British Government to perform its former promises to British subjects. This international contract is as much binding as any other, and as much enforceable. We should be very sorry to see the English army, the English fleet, and the English taxation placed at the mercy of any English capitalists who may choose to lend

money to a foreign nation upon specific security; our fleet would soon have little else to do than attend to such claims upon it, and the augmentation of our taxes would be more than the interest on the unpaid loans. But no such danger is incurred if it is clearly understood that the English Government need not even negotiate in such a case if it does not think fit; that it cannot interfere save by negotiation and representation unless it obtains a renewed promise to itself; and that even then it must be guided by circumstances, by the probability of success, by the absence or the presence of more pressing duties, in deciding whether it will interfere by arms to enforce the performance of the contract which the foreign Government has specifically and voluntarily made with it.

March, 1964. Equally, the minister's ideas on his future position in the Burnham machinery have not been as drastic as some teachers had professed to fear, although the NUT is likely to remain sceptical until it has had working experience of the changes.

The more militant NUT delegates at last week-end's conference made it clear that they intend to push ahead with those tactics (one-day strike, lobbying of MPs and withdrawing from the supervision of school meals) on which they have *carte blanche* for direct action. But on school meals the militants are not only likely to get into contractual troubles with their immediate employers, the local authorities (not the minister), but have now been opposed by the assistant masters' association. Harrying the Tories when the House returns is one thing, but is a row inside the profession really worth the candle? While the future of the Burnham committee is still in the balance the NUT may well find discretion the better part of valour.

LABOUR PARTY

Shadows Changing Too?

WITH Mr Macmillan's major cabinet reconstruction carried out, a reshuffle of the shadows is very much on the cards. By the end of Labour's Blackpool conference, some people were forecasting that it might be dramatic: it was being said that Mr Wilson might wisely be tempted by Mr Gaitskell to give up the shadow chancellorship and move over to foreign affairs, thereby leaving a vacancy for Mr Callaghan. A problem would then arise as to what to do with Mr Healey; but either he might take Colonies (*vice* Mr Callaghan) or else Mr Brown might be happy to surrender his defence portfolio to him and concentrate on his role as deputy leader. For a minister to give up all departmental authority is a notoriously hazardous course, but whether this is true of shadow portfolios is dubious. In any case Mr Brown's position as deputy leader gives him plenty of scope to range right over the field of home and foreign affairs, and to do this where it matters most—in the Commons. Whether or not Mr Wilson makes a move, there is likely to be a change in the shadow Ministry of Labour in place of Mr Fred Lee. Once again a strong contender for the position would be Mr Callaghan, and he might well do better service for his party there than at the shadow Exchequer. Indeed if he took this office, if Mr Brown took the shadow chancellorship and Mr Wilson the shadow Foreign Office, this might well be the best attainable mixture for Mr Gaitskell, and for giving every leading Labour figure a chance to turn over a new leaf. But this is not the mixture that most people were forecasting.

Labour is also faced with an urgent problem at Transport House where the continued ill health of Mr Morgan Phillips makes his early retirement sadly likely.

The argument has been put forward that the new secretary should be a powerful political personality able to express the mind and will of the party rank and file, but the inevitable effect of any such appointment would be to create a new rival to the parliamentary leadership. Transport House has never been this in the past and it would be the height of folly to make it so now. Mr George Brown's name has been canvassed in connection with the position but he probably would not take it, while Mr Crossman or Mr Wedgwood Benn, however willing, at present seems unlikely to be made the offer. Some see Mr Len Williams as a coadjutor with right of succession and the appointment of this loyal administrator would have much to be said in its favour; but at present opinion seems to be veering towards the appointment of some reliable figure from the trade unions. It is said that such a man, while posing no threat to the leadership, would be able to carry through the major reforms of which Transport House is very much in need, and that his trade union status might make it easier to raise the cash to finance them. This would only be all right provided a sufficiently strong-willed reformer can be found for the job.

UNITED NATIONS

Headless Hydra

FOR four weeks the United Nations secretariat has had no head. Naturally, the routine servicing of the Assembly and other normal operations have gone on, under the competent direction of Mr Cordier, the under-secretary in charge of Assembly proceedings. Mr Narasimhan, the recently-appointed *chef de cabinet*, and their colleagues. No doubt the staff could be indefinitely headed by a committee, if the UN reverted to the role of no more than a "traditional conference mechanism." But, as Mr Hammarskjöld showed in the introduction to his last annual report—a document that many people now regard as his political testament—this reversion would betray the letter and spirit of the Charter, play into the hands of those who want to cripple the United Nations, and rob the smaller nations in particular of their hopes of finding security in a hard world.

This week the deadlock over the secretariat reappeared openly. The wispy hopes surrounding the series of private talks with Mr Gromyko and Mr Zorin were blown away. It is not a deadlock over a candidate for the post of interim secretary-general: U Thant, the head of the Burmese mission to the UN, appears to be acceptable to most parties; so might some other experienced neutral. As was evident from the beginning, the real argument turns on the Soviet insistence on shackling Mr Hammarskjöld's successor, whoever he may be, in a way that would stop him putting into execution any UN policy that Russia dislikes.

The outward and visible Soviet "troika" plan has been temporarily withdrawn, but

Mr Zorin still demands what might be termed a system of moral vetoes: U Thant, or A. N. Other, must be placed under a formal obligation always to seek agreement with a group of assistants who would include a Soviet representative. It is a revealing fact that the Afro-Asians, whose preponderance in the 100-member Assembly was shown this week in its rough handling of Mr Louw of South Africa, are so utterly untrusting by the Russians.

RUSSIA

Daring Young Men

IT takes a good deal of courage for young Russians to defy their official mentors in public. Fear of reprisals did not prevent two such acts in Moscow in the past week or so. University students shouted down the officials who wanted to cut short their hearing of the San Francisco-Moscow peace marchers. At the annual recitation of poetry around the statue of Mayakovsky, the crowd of young Muscovites clamoured for—and got—Yevgeni Yevtushenko, who had just been viciously denounced by the Soviet literary establishment because of his moving poem, *Babi Yar*, on the Nazi slaughter of Jews at Kiev.



Marchers in Red Square

Some of the university students passed notes to the peace marchers telling them that they should not be deceived by the official speakers put up to refute them. Such a brief—and rare—encounter could hardly reveal to what extent Soviet youth distrusts the version of world affairs that the official monopoly dispenses to it; but the clear point made was that these young people wanted to hear another side of the case, whether they agreed with it or not. That desire is in itself a form of heresy in a monopolistic system, and merely to express it calls for courage. The footsore little band who had been on the road to Moscow so long (although banned from France, and hustled across east Germany in a way that oddly recalls Lenin's famous journey by sealed train) can console themselves for the restrictions placed on them in Moscow and



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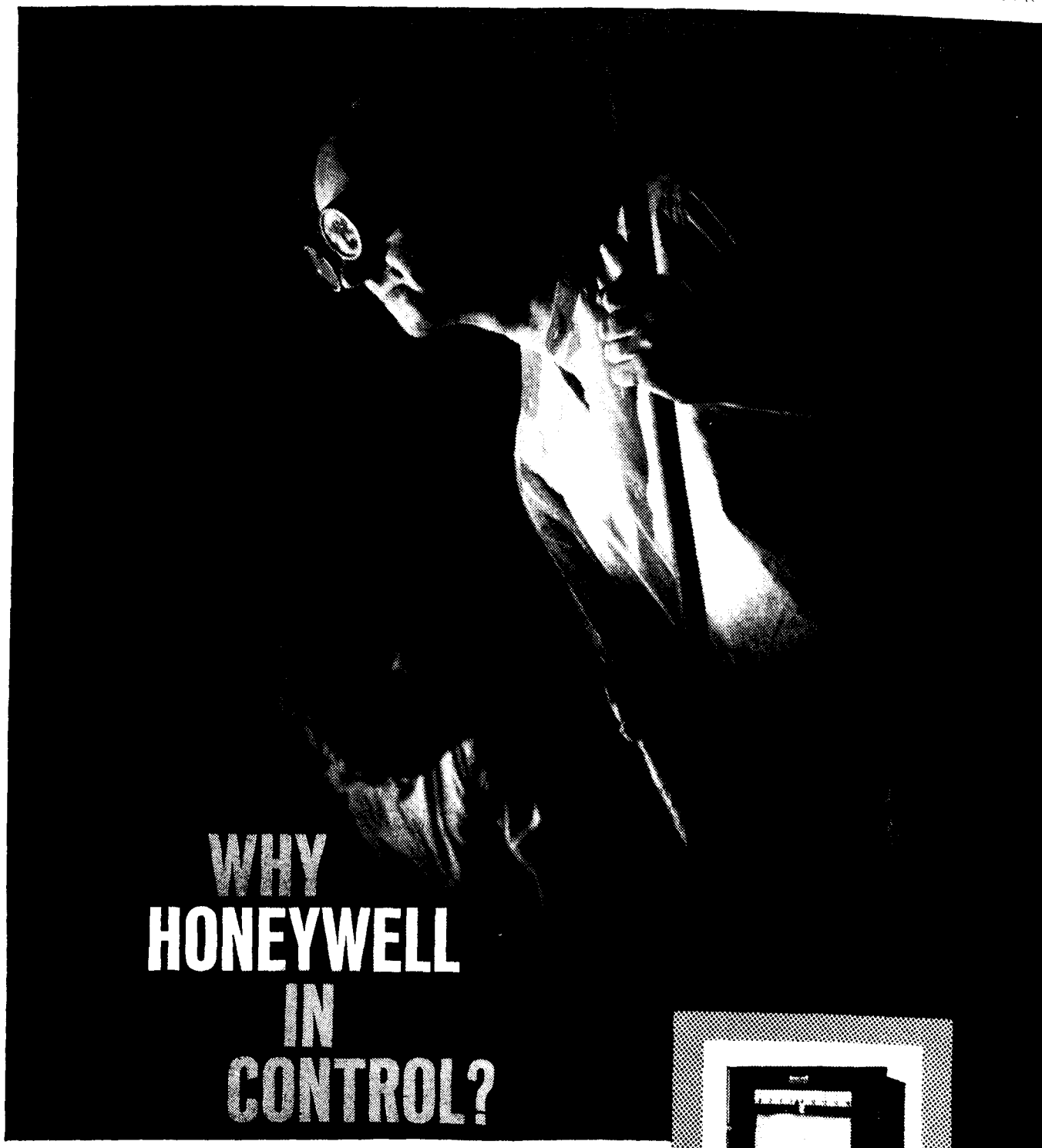
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elsewhere with the thought that their tenacity evoked, among the young Russians, an answering sign of the human spirit's power to defy circumstance.

The way young Moscow forced the organisers of the poetry recital on Sunday to break off the succession of "approved" authors, and to let Yevtushenko recite, to tumultuous applause, a biting attack on "those who love power for its own sake," was a similar sign of defiance. One cannot tell how widely young Russians share the poet's particular concern with the survival of anti-semitism in their country. The most direct warning against this danger in *Babi Yar* was cut out by the editors of *Literaturnaya Gazeta* before they published his poem last month. Again, however, the point that Sunday's demonstrators clearly made was that he ought to be given a hearing, and that the monopoly's outpouring of abuse had excited warm sympathy and admiration for him instead of the supposed general execration of his "negative attitude." Young Russia shows more and more signs of being chafed by its blinkers.

YUGOSLAVIA

Sparring with Moscow

THE draft programme of the Soviet Communist party, which will be adopted at the party congress next week, has not met with universal acclaim in the communist world. Two weeks ago *Komunist*, the official journal of the Yugoslav Communist party, stated that although the Soviet programme contained "positive premises," there are also "quite a few that do not bear Marxist and scientific criticism." What of course particularly irks the Yugoslavs in the draft programme is the attack on Yugoslav revisionism, which in their view amounts to "the most brutal interference" in the country's internal affairs. The article maintains that for "narrow camp-ridden interests and reasons" the Russians are trying to discredit the theory that there are many different roads to socialism and that it is possible to be a perfectly good socialist without belonging to the socialist camp.

The *Komunist* adds that no Yugoslav comment had been made on the draft programme when it was first published, because it said nothing essentially new, but some reference had eventually been found necessary since the programme was being used as a pretext to step up the scope and intensity of the communist block's anti-Yugoslav propaganda. But no comebacks from the Yugoslav side are likely to stop this propaganda. Russia's present rulers have learnt, more or less, to live with Marshal Tito's Yugoslavia, which after all supports them on a good many international issues; what they cannot accept is Marshal Tito's influence among the uncommitted peoples of Asia and Africa. They made the best of the Belgrade conference last month, endorsing the parts they approved of, ignoring those they disliked. But they can hardly have been happy about it.

LOCAL GOVERNMENT

Dwindling Status

THE Conservative conference on local government, which opened the proceedings at Brighton on Tuesday, was in a mood to make short work of the Olde English *ealdorman*. This reaction to the aldermanic jiggery-pokery that goes on in some councils at election time is a thoroughly healthy one; but total abolition is both inconvenient and unnecessary. Mr Henry Brooke's defence of the alderman as an ancient institution was itself irrelevant. The alderman still has a useful function to fulfil, and particularly on narrowly divided councils (just as governments find it essential to make sure of their majorities on important committees in the Commons). The legislative reform that is needed in a future Local Government (Miscellaneous Provisions) Bill is simply to prevent aldermen swinging mayoralty elections, and thus conciliar control, against the electorate's express wishes. The practical reform in selecting men (even those over 75) who have something more to contribute than their political loyalty is one for the local parties themselves.

The conference was not understating the case when it voiced concern at local government's dwindling status and reputation. The challenge is now very clear in education, in which the argument for transferring responsibility to *ad hoc* committees on a regional basis is rapidly growing in strength and conviction. The Ministry of Education had to step in and take the colleges of advanced technology directly under its wing. A Fabian pamphlet ("The Structure of Higher Education," 2s. 6d.) published this week takes this debate a stage further in recommending to the Robbins committee that higher education as a whole would benefit from a tighter regional organisation under a national supervisory body. This is not necessarily the best suggestion in the field, or one that will find favour in existing and potential degree-giving institutions, but the principle is already being urged lower down—and above all in the schools themselves. The inadequacy of local finance to meet educational and other charges is only part of the problem: the increasingly obvious need for planning and co-ordination on a regional basis in all the major spheres of local government is a matter that ought now to give Dr Charles Hill plenty to think about.

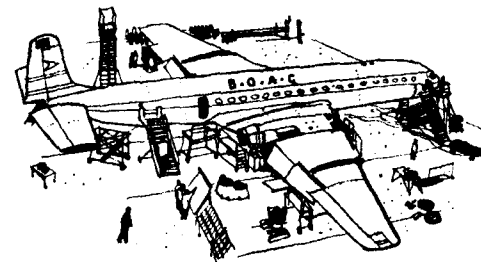
LONDON AIRPORT

Report on a Muddle

RESPONSIBLE, highly skilled and fairly prosperous aircraft fitters are just the kind of workers who might be regarded by the innocent as least likely to strike. That

this is not so has been proved *ad nauseam* by the disputes at London airport which have been greeted over the years by denunciations of red plots, ambitious shop stewards, disruptive influences and the rest. But the British Overseas Airways Corporation has come off worse than British European Airways or the other companies with substantial workshops at Heath Row; and experience has shown that a notorious "troublemaker," moved into the purer atmosphere of Gatwick, inexplicably ceased to make trouble. The easy conclusion was that there was something wrong with BOAC; and this has now been confirmed to the hilt by the report of a committee of inquiry set up after last July's strike, which grounded almost the entire fleet of the corporation for ten days, at an estimated loss of revenue of £2½ million.

The report is unanimous—which in itself is a remarkable achievement for a body composed of two management representatives, two from the supervisors' union and two from the operatives' unions (including Mr Ian Mikardo for the supervisors and Mr John Hendy of the Electrical Trades Union for the operatives). Its most saddening conclusion is that "no group of workers has



been adversely affected to any significant extent by the new supervisory system"—which means, since the supervisory system was the ostensible cause of the strike, that there was no reason for it to happen at all. Many of the witnesses who came forward with complaints simply did not know what they were talking about. The workers' representatives appeared not to have carried out to any effect their job of reporting to the men the results of their negotiations with the management. But the report makes the fundamental criticism that "manage-

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ment have not made the best of all the opportunities open to it to ensure the complete dissemination (even reiteration) of information in simple and understandable language. . . . The grammar is odd, but the sentiment deserves a loud hurrah.

It is perfectly true that joint consultation does not always work, and there will always be shop stewards who, for one reason or another, try to present the arguments of managements in the worst possible light. But men—and especially skilled men with money in the bank and the knowledge that they can get another job elsewhere—will not co-operate unless the reasons why their co-operation is needed are properly explained. The failure in communication does not only concern BOAC; the strike by a few London Transport bus crews on Tuesday over the introduction of new work schedules is yet another instance of a stoppage caused by sheer incomprehension.

TURKEY

Back to the Ballot

ON Sunday, October 15th, Turkey is holding its first general elections since the Menderes regime was overthrown in May, 1960. For some eight months General Gürsel and his military colleagues have been cautiously and gradually lowering the frail boat of Turkish democracy back into the turbulent political stream. Their hope is that at the same time they have succeeded in so controlling and curbing the stream that the boat will this time float and not founder.

This means that although the actual voting will be free, the electioneering over the past three weeks has been deliberately fettered. An agreement announced early last

NOTES OF THE WEEK

month, under the scarcely veiled pressure of the military authorities, pledged the parties and the press not to discuss any of the topics—like the record of the Menderes regime, the Yassıada trials and the application of Atatürk's reforms—which form the stuff of political controversy in Turkey today. In the past, Turkish party politics have been notorious for their violence (sometimes physical) and extremism, and in theory it seems sensible to try to prevent excesses in the future. But if the Turks are really to go back to a genuine parliamentary democracy, they will sooner or later have to get out of their systems all the burning questions which they are now forbidden to discuss. It may not necessarily be for the best that the return to free discussion should be later rather than sooner.

Sunday's elections will be contested by the four parties which have managed to establish themselves in at least fifteen provinces. The Republican People's Party, led by Mr İsmet İnönü, is the original party founded by Atatürk 38 years ago. The only other party dating from before last year's coup, the Republican Peasants' National Party, is unlikely to be of much importance. The two parties formed since the military coup, the Justice party and the New Turkey party, are both hoping to attract the votes of former Democrat party supporters, although they dare not angle for them too blatantly. The Republican People's Party, with by far the largest and most efficient party organisation, should come off best; it may, however, have become too closely identified with the military regime for its own good, and thus may fail to win an absolute majority of seats. Thus the formation of a government might depend in part on men who have failed to repudiate completely the former Democrat regime; nobody knows what General Gürsel would do in that case.

FRANCE AND SPAIN

Awkward Guests

LIKE stock characters out of a bad spy film, Messrs Lagailarde and Ortiz, plus fifteen other miscellaneous leaders of *Algérie Française*, have lurched once more across the world stage. They seem this time to have entered the act a little early. While Paris has been buzzing with rumours of another impending coup, it has been President de Gaulle who has struck first, or rather induced General Franco to strike for him, by putting the would-be plotters under house arrest in Spain.

The move is notable. Contacts between the European nationalists in Algeria and the Spanish in Morocco have been close for some time. If there is any natural spiritual and political home in Europe for the French ultras—or indeed a natural base to plot from—the Iberian peninsula would seem to offer it. For some time, however, the Spanish government has been under pressure from

THE ECONOMIST OCTOBER 14, 1961

the French to curb the plotters who fled to Spain after the failure of the last coup, or of the one before. It now seems that levers have been found of sufficient strength to persuade the Spanish to act.

One of the levers could be the negotiations, due next year, on the renewal of the Spanish-American security treaty; President Kennedy's administration might not be deaf to a French suggestion that General Franco was blocking peace in Algeria. More in keeping with the melodramatic tone of the play is another episode. Two months ago Sr Gonzales (El Campesino) a republican veteran of the Spanish civil war, led a tiny but ostentatious border raid into Spanish territory across the Pyrenees, while the French authorities were looking pointedly another way. Soon afterwards, on August 24th, they confined him to an agreeable island off the Breton coast, as if to give General Franco a hint. Now that the hint has been taken, and the malcontents from Algeria have been under restriction, El Campesino has been put under arrest.

Just how effective the move in Spain will prove is difficult to judge. Though the Spanish government may find it convenient, both internally and externally, to limit the scope of the plotters, it is by no means certain that their part in the plotting will stop. In Algeria itself General Salan's daily broadcasts, interrupting normal radio programmes, provide confirmation—if any were needed—that the Europeans' underground army (OAS) continues to be active. The blow in Spain last Sunday may have helped to divide the plotters in Spain from those in Algeria, but it has not removed the impression that some kind of eruption is coming.

INDONESIA

Fairyland

DR SUBANDRIO, meet Mr Bocoum. On October 4th, Mr Bocoum, the foreign minister of Mali, trying to explain to the United Nations Assembly why it was "spurious" to call for free elections in east Germany, suggested that the right of self-determination applied only to colonial territories. On October 9th, Dr Subandrio, the foreign minister of Indonesia, also addressing the Assembly, rejected Holland's offer of self-determination for the colonial territory of Dutch New Guinea (West Irian on Indonesian maps) as a "fairy tale." Dr Subandrio's claim that there could be no real self-determination in the territory because of the presence of Dutch police is not convincing. The Dutch proposal, spelled out in some detail to the Assembly on September 26th, provided for the territory to be administered by an international authority operating under the United Nations, which could have guaranteed the inhabitants a free vote on their future. The Indonesians are willing to let the UN lend a hand in arranging the transfer of power, but insist that the



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*The Health of Business Executives—Transactions of a One-Day Conference held by the Chest and Heart Association in the Royal Festival Hall, London on 20th November, 1960.

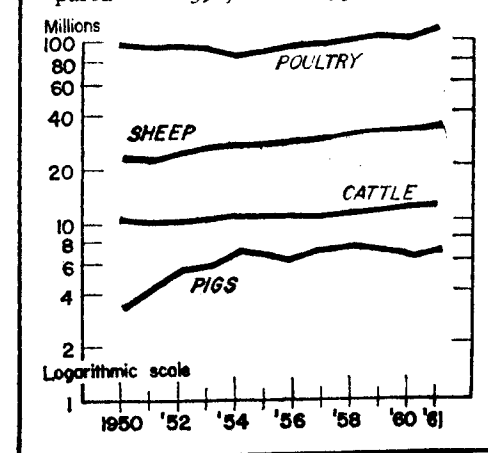
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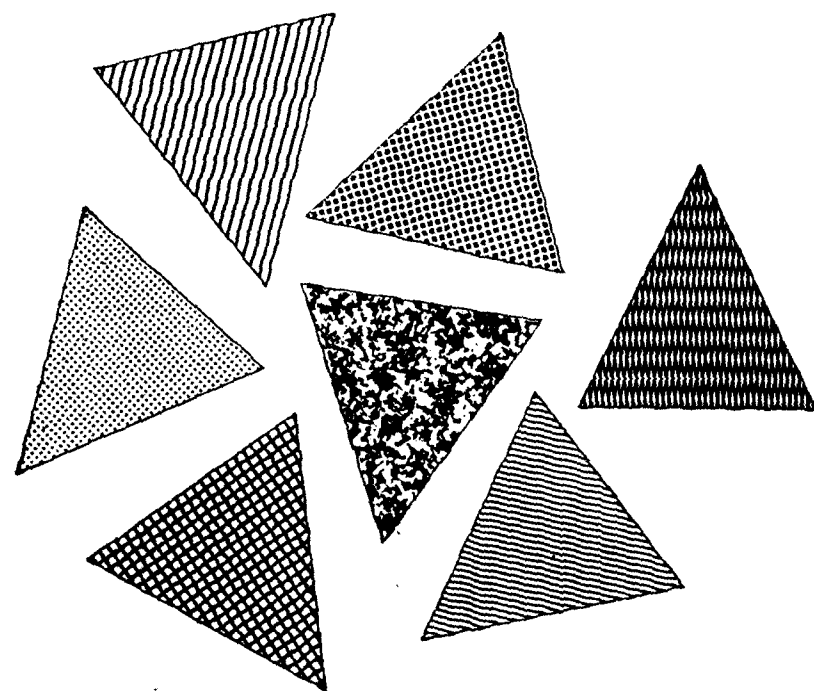


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BRITISH LIVESTOCK

The number of cattle, sheep and poultry on British farms has increased steadily over the last few years, but pig-breeding has bounced in response to changes in the guaranteed price which is now, therefore, to be reviewed quarterly. Because of the mechanisation of farming, only 66,000 horses were kept for agricultural purposes in 1960 compared with 396,000 in 1950.





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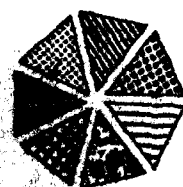
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ultimate result must be to make western New Guinea part of Indonesia.

It is a pity that the Dutch did not make their offer long ago. Had they done so, it is just possible that a middle way might have been found between the extremes of a prolonged Dutch occupation of the half-island, and unconditional surrender to the Indonesian claim: Australian feelings on the matter are discussed by our correspondent in Canberra on page 144. The middle way now having been rejected, Dr Subandrio having ruled out the possibility of letting the inhabitants choose independence from both Holland and Indonesia, the alternatives remain as stark as ever. But, by making the offer, the Dutch have at least improved their tactical position in the General Assembly. So long as the Indonesians could present the matter as a simple dispute between colonialism and anti-colonialism, they could count on the sympathy of most uncommitted countries. Now that the dispute is between the Indonesian claim to sovereignty and an offer of self-determination, some countries may reflect that, after all, the population of western New Guinea has little in common with that of, say Java or Sumatra. And if the Indonesians were to carry out their vague but repeated threats to invade the island (their army having nothing else to do, now that the last rebels in Celebes have surrendered) they might find themselves going ashore in a cold silence of international disapproval.

ULSTER UNIONS

Going it Alone?

NORTHERN IRELAND is the one region in the United Kingdom that has no local productivity council. (In this it also lags behind the Republic of Ireland.) Three years ago, at the instigation of Lord Chandos, chairman of the Northern Ireland Development Council, the British Productivity Council arranged a conference in Belfast to try to form a local committee and the General Council of the TUC sent over two representatives. But no committee resulted for the simple reason that the Northern Ireland committee of what was then the Irish TUC (it is now the Irish Congress of Trade Unions) wanted its secretary to be the trade union member of the new body. This the Northern Ireland Minister of Labour would not have because the Government did not officially recognise the Irish TUC—known at Stormont as a “quasi-political body” run from Dublin and dedicated to Irish reunification.

Now, however, the Northern Ireland committee of the International Confederation of Free Trade Unions has decided to go it alone and do something about getting a productivity committee. It has called a conference on productivity in Belfast next Tuesday, to which industry, the unions, management organisations, commerce, and technical educationists have been invited. The Ulster unions are increasingly alive to the fact that if the province enters the common market the traditional methods

so widespread in local industry will have to be drastically overhauled. But the general response to this initiative is doubtful.

IRISH ELECTION

Not Quite as Before

Our Dublin correspondent writes:

IN last week's election Mr Lemass lost the overall majority that he inherited from Mr de Valera. There are members of the old guard of Fianna Fail who blame him for not fighting the electoral campaign in the old-fashioned manner—plenty of blazing tar-bartels and much denunciation of the British hidden hand in Katanga, and any other topic that might arouse ancestral spirits. But he is a realist and could not engage in such theatricals with any degree of conviction; it is quite obvious, too, that the electorate has had enough of tar-bartels. In any event, it seems probable that Mr Lemass will continue in charge of affairs for quite a while to come.

The main lesson of the election was that militant republicanism, both of the Sinn Féin brand and of the type sponsored by Mr MacBride's Clann na Poblachta, has altogether lost its appeal. Mr Lemass did reasonably well in the Dublin area but lost seats in the other cities and throughout the rural constituencies. It is tempting to attribute this to his party's prolonged neglect of the needs of agriculture; but the losses are more probably due to a slackening in the party's usually efficient organisation and to

the loss of Mr de Valera's hold on the small farmer and agricultural labourer. Much attention has been given to the Labour gains; but not enough to the odd fact that they occurred not in Dublin but in rural constituencies where attention is often given more to who a candidate is than to what party he supports. By winning seven seats, for Fine Gael, Mr Dillon did much better than any of the other leaders, but he recaptured only one half of the votes which his party lost between the last two elections in 1954 and 1957. If and when he gets back the balance, Fine Gael will begin to look like a possible alternative government in its own right.

In the good old days, no doubt, Mr de Valera, when faced with a similar situation, would have dissolved within six months and the electors would have obediently given him an overall majority. There is no reason to believe that such tactics would work for Mr Lemass now. But, if Fine Gael and Labour are agreed on anything, it is that they will not consider a third experiment in coalition government. In these circumstances Mr Lemass should be able to rely on a working majority on most things. These will include negotiations about the common market. It remains to be seen if they will include wages policy, which is perhaps the most urgent problem that faces the new Dail. One other point should be noted. A quarter of the members of the new Dail have been elected for the first time: nearly half of them are Fine Gael members. At least, it will not be wholly the mixture as before.

LETTERS

The Economy

SIR—Sir Robert Hall, in his very interesting two articles, makes the usual statement that “It is very likely that in recent years Britain has lagged behind its main competitors in the proportion of national income devoted to investment.”

In an attempt to find out how true this was as far as manufacturing industry was concerned, the Institute of Cost and Works Accountants (with considerable help from the Economist Intelligence Unit) investigated the capital investment in manufacturing industries in this country and others. This produced results markedly different from those of gross capital formation and gross output for the whole economy, which are those which are usually quoted. Some of the results of the investigation are quoted below.

	1952		1957	
	per cent	per cent	per cent	per cent
UK	13	10.5	15	12
USA	16	12.9	17	14.2
West Germany	19	10.7	22	12.7
Italy	19	16.2	22	15.7

In each year the first column is the gross fixed capital formation as a percentage of

gross national product, and the second column gross fixed capital formation as a percentage of net output by manufacturing industry. The complete table shows that on capital formation for industry Britain has kept up reasonably well with its competitors.

The picture is less pleasant if the indices of output per head in manufacturing are considered. Taking 1953 as 100, for the same years as above the indices are:

	1952	1957	1959
	per cent	per cent	per cent
UK	96	111	117
USA	97	112	121
West Germany	94	118	131
Italy	90	130	153

Analysis of the output per head in manufacturing industry by major industries in Britain shows the wide differences in performance between the different groups. Between 1954 and 1957 motor vehicles and cycles showed only an increase of 2 per cent, while at the other end of the scale gas supply industry showed an increase of 28 per cent. It is not possible to compare the output per head in major industries between different countries. These figures support Sir Robert's statement that it is difficult to avoid the conclusion that labour is being hoarded.—

Yours faithfully,
London, W1

IAN T. MORROW

Rutland

SIR—"Rutland has made the greatest fuss" (about being abolished) you say in your article on the report of the Local Government Commission. How stupid it is of the Rutland people not to accept the views of the learned gentlemen from London! Or is it?

Rutland does not claim that, on grounds of "logic," all county areas should be reduced to the same size as itself. It does claim that for a relatively sparsely populated agricultural area its present well proven county administration does provide the services its ratepayers require, in the form in which they like them: and that it should not be abolished on grounds of "logic" and a thirst for conformity with theoretical criteria of population.

Surely the sensible course is to press on with such boundary adjustments elsewhere as are desired by the ratepayers concerned: and to leave Rutland undisturbed. After all, Britain thrives on "anomalies" and "ad hoc-eries" especially where these reflect the wishes of those most affected.—Yours faithfully, ALAN J. C. YATES
Oakham, Rutland

Lubricating Oil

SIR—Your article regarding lubricating oil marketing in Britain in *The Economist* of July 15th, was felt to be prejudicial to our company's reputation. Ashland Oil and Refining Company, a fully integrated production and refining company, is a supplier of quality industrial lubricants in Britain under the name "Valvoline." Valvoline lubricants have been marketed in Great Britain since 1870. Only in 1960 did serious campaigning begin to enter the filling station oil market. Since that time over 1,200 accounts have been opened with service stations in many parts of Britain. In the face of the monopolistic practices you pointed out in your article, this can hardly be classed as an "admission of defeat." The report made to the Monopolies Commission was not instigated by us but was in answer to the commission's circular enquiry sent to all the "independent" oil marketers.

We are confident that "Valvoline" will eventually attain the reputation and following of the British motorist that it enjoys with the motoring public in Europe, America and other countries around the world and with the engineering profession in Great Britain.—Yours faithfully,

EARL W. WEAVER
Ashland Oil & Refining Co.

Ashland, Kentucky

White Africans

SIR—Mr John Connell pleads for recognition of the rights of white Africans—in the last resort their right to emigrate. In most

African countries for which Britain is still responsible, this problem is complementary to that of ensuring black African advancement and eventual independence. The fate of white Africans has, however, been virtually overlooked, even by liberal observers, and the omission gives some credence to the campaign for the retention of a preponderant white African influence.

Emigration has already been the resort of many white Africans, not only the Kenyans, whom Mr Connell mentions, but also Algerians; their destinations have been South Africa and South America. Emigration is, however, a negative reaction, and it usually entails considerable capital loss on the sale of property. Nor need it be the only resort of white Africans in a country attaining independence.

Some categories of white Africans are needed by newly independent countries, notably in administration and teaching. The British Government has taken pains to provide financial inducements to stay on (and compensation if ejected) in the case of white civil servants. White teachers are, however, less favoured: despite recommendations made by the Duke of Edinburgh's 1959 Oxford Conference on Commonwealth Education, financial guarantees are lacking, and teachers trained abroad are in many cases unrecognised in this country. If these obstacles were removed by the British Government, expatriate and local white teachers would be easier to attract and retain in Africa. The problem of providing a financial guarantee in case of eviction, but not an inducement to emigrate has been solved in the case of civil servants, and could be solved similarly for teachers.

Some white Africans may unfortunately find it necessary to leave as their countries become independent; in the case of lower-class whites because their jobs can be undertaken by black Africans without much experience or training, and in the case of farmers because the black Africans feel emotionally attached to the land, and resent "intruders." The friction which is caused by rising black African pressure against these white Africans could be avoided if the British Government acknowledged the existence of the pressure, and took steps to assist the evacuation of the whites concerned.

Farmers could be assisted if their move was to South America, but not to South Africa. They could also be offered posts as advisers under the Colombo Plan, and in each case financial help for their passages and a guarantee of employment might well prove sufficient inducements. Even those white Africans with few or no skills would be welcome in Canada or Australia, and similar inducements could be offered.

Planning ahead on these lines may be attacked as appeasement but it can also be considered as redeployment of skills and labour towards the countries where they are required. It is pointless to force favours on unwilling recipients.—Yours faithfully,
S. MYNOTT
London, N8

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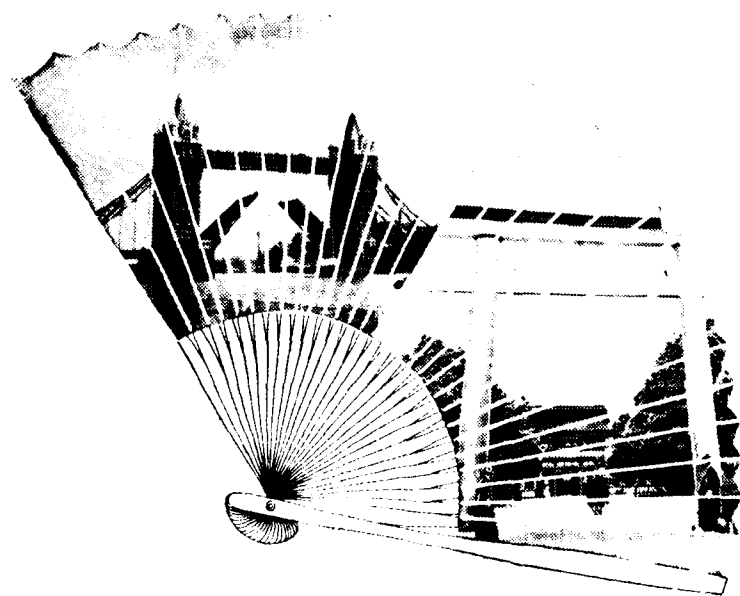
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Brighton's Tides

FROM OUR SPECIAL CORRESPONDENT
IN BRIGHTON

Concentrated?

Extended?



WHEN this article was dispatched only half of the Conservatives' 1961 conference had been completed; despite a bad session on immigration, the liberals rallied bravely and well on Thursday to rout the wild men on both the common market and flogging and hanging. Even so, it is rash as yet to sum up "the mood of this conference," if indeed there is any such thing: the conference is often a very imperfect geiger counter to gauge the atmosphere in which Messrs Macleod, Maudling, Butler and Heath will be carrying out their newly extended or restricted jobs. The mood of most debates is set largely by which half-a-dozen or so speakers out of the several thousand delegates the chairman happens to call, and by whether their talent is to arouse excitement or encourage sleep.

Throughout most of the first morning, while the conference was debating the possibility of nuclear war and the progressive liquidation of the colonial empire, the inspirers of sleep had it all the way. Some liberal optimists noted that the occasional polite digs at Mr Macleod and at the United Nations over Katanga attracted what seemed to be only the thinnest possible trickle of applause, but against that the super-Macleodites attracted virtually no applause (although also no interjections) at all. The only clapping that rose above the perfunctory seemed to be reserved for those who said what very nice chaps the British have always been compared with other people—"Look what the Americans did to the Red Indians" (cheers)—and when Mr Macleod rose to hand over the "inspiring trust" of colonial affairs to Mr Maudling, he received an opening cheer that was significantly smaller than had earlier greeted Lord Hailsham when his presence was merely pointed out to the audience from the platform.

To some extent Mr Macleod changed all this. His electric valedictory "declaration of faith" drilled through the apathy to arouse the first more or less standing ovation of the conference. But it was an ovation still noticeably led by a minority clique, in which the rank and file of Tuscany eventually joined because it seemed impolite not to do so. "Beautiful phrases Macleod has," said one admirer of Lord Salisbury's politics in the hotel bar later, "but they mean nothing. I still wouldn't like to be a white man in Africa; however, there's nothing we can do about it. I've never been keen on colonisation anyway." It is not amid an atmosphere of resignation by his right wing that Mr Maudling takes up his new post: but it is not an atmosphere that should be powerful enough to deter him from liberal action, even if—as was being suggested in some surprising circles in Brighton—the Prime Minister's motives in promoting Mr Macleod to the party chairmanship had been influenced more than one believes by a desire to get him out of the Colonial Office.

On some domestic matters where parts of the British proletariat agree with them, however, the right wing still thinks with good

reason that it can wield some influence, and it was clear from the start that it was likely to get some satisfaction in Wednesday afternoon's debate on the control of immigration. "One knows that there is going to be legislation anyway," said one liberal Tory sadly in explaining why he would temper his opposition to a motion advocating immigration curbs that was eventually passed by a large majority. To do the conference justice, however, the debate was shamefaced rather than nasty. The only really nasty speech attracted significantly less applause than the MP concerned looked as if he had expected. Speaker after speaker said that he felt no colour prejudice, and then proceeded shamefacedly to show really that he did. The result is likely to be a considerable economic as well as moral misfortune.

Mr Butler has now made it evident that he is likely to introduce a system whereby Commonwealth immigrants, like aliens, will be allowed to come here only if they can persuade the Ministry of Labour that they have a job waiting for them or that their services are needed: this is a restrictionist planning device that will take away much of the element of flexibility and mobility which is one of immigrant labour's greatest virtues. Quite apart from the damage done to Britain's image in the world, this was an expensive afternoon's work in holding back the potentialities for future improvements in Britain's level of production and standard of living.

AND so to Thursday morning's much more heartening debate on the common market. Sir Derek Walker Smith and his anti-Europeans had phrased their expected amendment in a rather punch-pulling sort of way, saying that they were "animated with goodwill" towards the common market but that any proposals which the Government accepts should not "involve surrender of British sovereignty." On the Wednesday evening Cabinet ministers in the headquarters hotel were guessing freely that this amendment would be carried by a sizeable majority, but were saying that because of its wording this would not matter. But, in the event, Sir Derek's amendment was smashed to pieces in his hands, and Mr Sandys, sensing what was happening, toughened up his final speech to ask for, and secure, its astonishingly massive rejection.

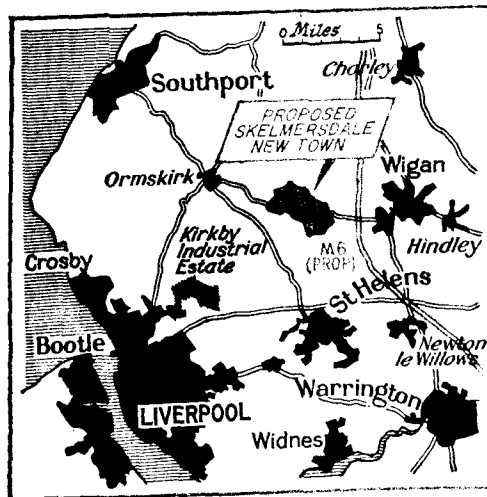
There had been a great danger that Sir Derek, who on occasions can be a very moving speaker indeed, might set the conference on fire: but he slipped over in a few phrases just too far into floridity, and the applause for him was sufficiently restrained for ministers to begin to look relieved. Later both Mr Heath and Mr Sandys got a standing ovation: and the majority in favour of their policy was officially announced as "overwhelming." One more of the possible impediments in the way of a junction with Europe has thereby been removed, and as impediments go, this Conservative conference would not have been entirely a small one.

Merseyspill

FROM OUR SPECIAL CORRESPONDENT

SKELMERSDALE new town, intended to take 80,000 of Merseyside's overspill, has turned out to be Mr Henry Brooke's parting dispensation at the Ministry of Housing and Local Government. So the wheel has turned full circle and, after eleven years, new towns are demonstrably in favour again in England and Wales (Scotland has had Cumbernauld in the interval) to tackle urgent overspill problems. This may cause a hopeful flutter of hearts in the west Midlands, where the Dawley project (which is now under investigation) is badly needed to supplement Mr Brooke's more limited development plans outside the conurbation announced a month ago.

The Skelmersdale site has been on the stocks, one way and another, for a full decade, and the ultimate ministerial approval for development under the New Towns Act is so necessary a relief for Liverpool (which has by itself a potential overspill twice as large as Skelmersdale can take) that some lingering doubts about the precise choice of location have almost certainly had to be stifled. Skelmersdale is within a dozen miles of Liverpool itself and only seven miles from Wigan: it is, in fact, just a short leap-frog away from Liverpool's enormous postwar satellite at Kirkby. The minister has admitted the desirability of more breathing space in this part of south Lancashire, but the argument for being within easy reach of Merseyside has obviously prevailed. The primary need is to rehouse Liverpool's slum-dwellers, who have close links with the city and some of whom, initially at least, may be concerned to retain their jobs there.



Given this approach, Skelmersdale is probably the one remaining place in the region where a sizeable scheme (a population of 80,000 is the largest yet proposed) could be fitted in with any elbow room left—and there is little enough of that anywhere between the Pennines and the sea. The convenience for Merseyside should make it relatively easy to persuade firms to move out there. All the same, the new town's

ability to establish itself as a separate entity in an area of pronounced local loyalties is, by the same token, less assured. In the end Merseyside will have to go further afield to solve its problems.

The Skelmersdale project originally saw the light of day in the Lancashire county development plan of 1951, when a community of 50,000 was envisaged. For years, however, the government's preference has been to try to cope with Liverpool's



Pound for Pound?



MONEY and culture are natural bedfellows but the cry still goes up that the British are slow to recognise this. Introducing the Arts Council's sixteenth annual report,* Sir William Emrys Williams starts by giving the civic authorities a pat on the back for their increased encouragement of the arts, and ends by telling them it is far from good enough. In his view, it would be sensible to give local authorities "three years' or five years' notice that if they wish to enjoy the amenities of the arts they must pay a fair share of their cost."

But what is a fair share? The Government's contribution is now quite a substantial sum, the Arts Council grant having risen from £235,000 in 1946 to £1,675,000 in the current year. Under the Local Government Act of 1948 an expenditure of up to a 6d. rate (4½d. in Scotland) on sustaining the arts is allowable, which would entitle the municipalities of this country to spend over £16 million a year on the arts. In fact they contribute less than one-sixtieth of that amount. To match the Arts Council grant, pound for pound, local subsidies would have to be stepped up six times; even so, they would amount to less than a three-farthings rate.

It would be rash to try to draw a hard and fast line as to where one kind of responsibility for the arts ends and another begins. At present, the Arts Council divides its money about equally between the capital and the provinces, if allowance is made for the sums required to send the London-based companies on tour. This is not so unfair to the provinces as some people like to suggest. It is all too easy to forget that there is a continuous stream of visitors to London from the provinces, to many of whom a special event in the arts world—like last year's Picasso exhibition at the Tate—is a highly respectable excuse for a trip to town.

Nevertheless the Arts Council is con-

* *Partners in Patronage.* The Arts Council of Great Britain. 2s. 6d.

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overspill under the Town Development Act. These efforts should certainly continue elsewhere, but so far the potential importing authorities have not been sufficient to answer anything like Merseyside's needs. Mr Brooke's return to the New Towns Act in this type of case has been necessary; it remains for his successor to see, in general, just how much can be done in association with private development and in the provision of private enterprise housing.

concentrating on giving injections to provincial activities. For instance, as the accompanying table shows, one of the main increases in its expenditure last year was on drama and the major part of the extra grant went to the repertory theatres and the expenses of sending the Old Vic on tour. The Arts Council is also paying out more in subsidising festivals, its contribution to those in England last year varying from 4 per cent of the total income of the Three Choirs Festivals to 27 per cent in the case of the Cheltenham Festival of British Contemporary Music.

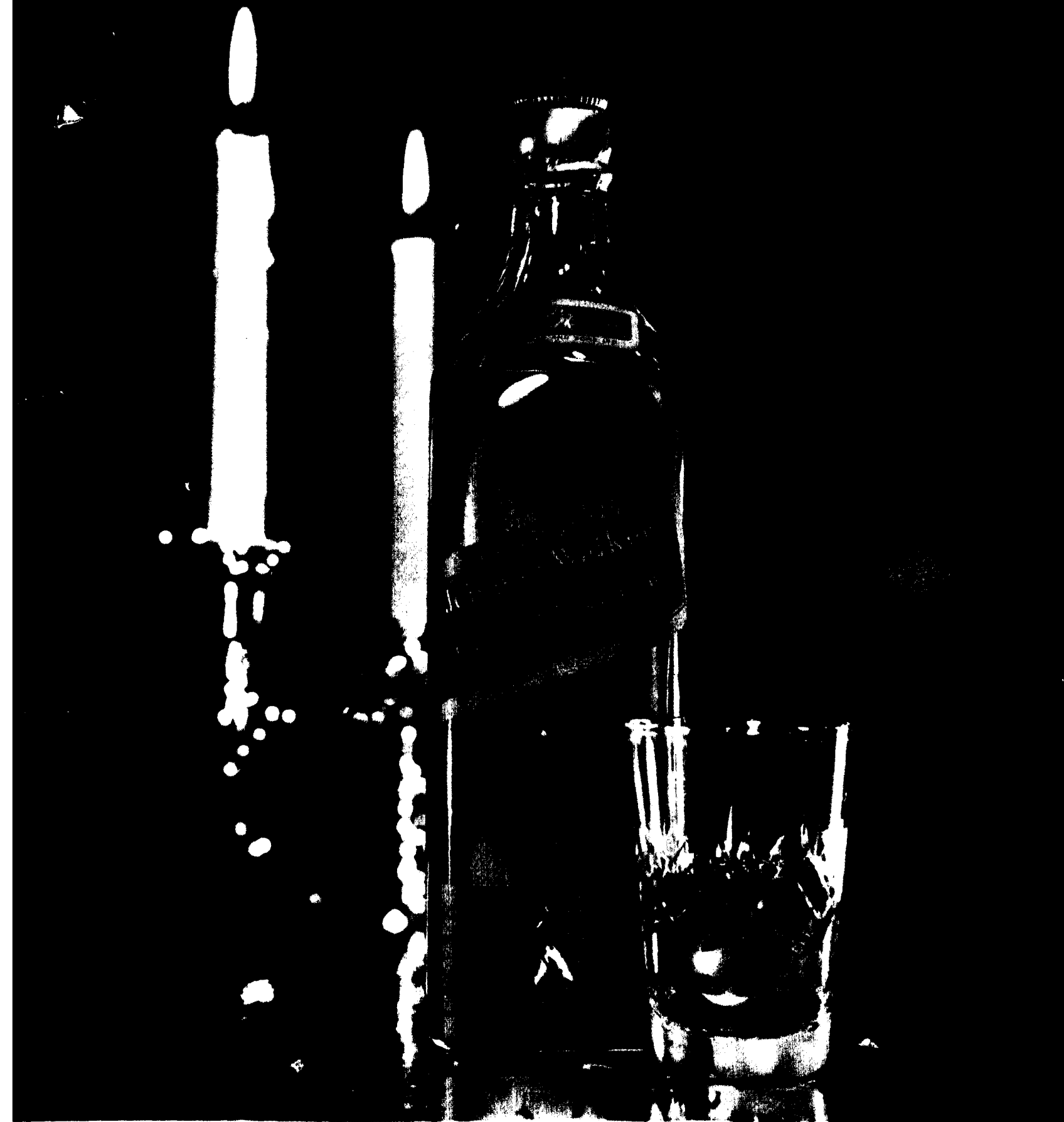
Taxpayers, ratepayers, individuals, industry, trade unions, universities, voluntary bodies—all, in the view of the Arts Council, should share in the patronage of the arts. As a small step forward in its own activities, the council sug-

HOW THE ARTS COUNCIL SPENDS ITS MONEY

	(Great Britain; £ thousand)	1959-60	1960-61
Opera and Ballet.....		730.2	856.8
of which:			
Royal Opera House.....		473.0	500.7
Sadler's Wells.....		200.0	275.0
Music.....		178.1	227.1
of which:			
Bournemouth Symphony Orchestra.....		20.0	30.0
Scottish National Orchestra Society.....		21.5	28.5
Royal Liverpool Philharmonic		20.0	27.0
Halle Concerts Society.....		15.0	25.8
City of Birmingham Symphony Orchestra.....		20.0	22.0
Drama.....		112.9	192.1
Festivals.....		20.7	29.0
Art.....		41.5	53.4*
Other activities.....		11.0	13.1
General operating costs.....		124.9	153.9
Total current expenditure		1,219.2	1,525.4

* Excluding the Picasso Exhibition.

gests it should have the power to contribute in a minor way to new building projects, such as providing a new municipal theatre with a stage-lighting system. This is a sensible idea. There is no doubt that display is a large part of the battle; however fine the quality of the arts, however good the play or orchestra, if shown—or heard—in the typical Victorian municipal building people will not be lured away from their fireside television.



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P 6451

Future of Megalopolis

Metropolis 1985

By Raymond Vernon.

265 pages. 40s.

1400 Governments

By Robert C. Wood.

285 pages. 46s.

Harvard University Press. London: Oxford University Press.

THE first of these books offers an interpretation of the findings of the New York Metropolitan Region Study (of which eight* other volumes have been published), written by the director of the study. The interest of the book lies in its attempt to analyse and project economic and social developments in this vast urban region. The region is defined so as to include 22 counties lying within 3 states, with a population in 1960 of nearly 16 million. This region extends a minimum of 30 miles from the centre of Manhattan; and reaches out to take in the whole of Long Island, Fairfield county in Connecticut, and Dutchess and Orange counties in New York State.

"Metropolis 1985," like the whole study, has one great merit. It pays close attention to the economic forces that are shaping the physical growth and pattern of the region. Mr Vernon takes for granted a continued rapid growth of population and production in America, and concentrates on the New York region's share in this development. The region is favoured, economically speaking, because it contains a high proportion of those activities (for instance, finance, professional services, and a variety of manufacturing industries) which are likely to grow most quickly; but, on the other hand, the traditional competitive advantage of many expanding industries located in New York are growing less as industrialisation spreads across America. Mr Vernon's guess (he wisely presents it as no more) is that by 1985 the total employed in the region will have risen to 9½ million, and total population to 23.7 million. The biggest gains are expected in finance and in business and professional services, where employment will almost double.

*ANATOMY OF A METROPOLIS, by E. M. Hoover and R. Vernon. MADE IN NEW YORK, by R. B. Helgott, W. E. Gustafson and J. M. Hund. THE NEWCOMERS, by O. Handlin. WAGES IN THE METROPOLIS, by M. Segal. MONEY METROPOLIS, by S. M. Robbins and N. E. Terleckyj. FREIGHT AND THE METROPOLIS, by B. Chinitz. ONE-TENTH OF A NATION, by R. M. Lichtenberg. Also a technical supplement (PROJECTION OF A METROPOLIS, by B. R. Berman, B. Chinitz and E. M. Hoover).

Naturally enough, the additional people will not be living in New York City itself. The massive movement of families "from tenement to split level" will continue, so that, by 1985, if Mr Vernon is right, almost 5 million more people will be living in an "outer ring" of counties such as Suffolk (Long Island), Fairfield (Connecticut), and Monmouth (New Jersey). Employment will also be much more widely dispersed, but not quite to the same extent. New York City is expected to remain almost static in population, but to gain half a million more jobs—a formidable prospect for transport.

Mr Robert Wood's companion volume (the last of the series to appear) deals with the part of local government and public agencies in shaping the region's growth. The region has a formidable tally of over 1,400 local governments, including school boards and special districts. From the viewpoint of regional development (although not surely of good government), many of the activities of these authorities—for example, efforts to attract new industries—largely cancel each other out. Differences in functional efficiency and in tax levels vary considerably, but are not thought to be a major influence on development, except for prospective water shortages in New Jersey. More significant are the clashes between the giant transport and highway authorities, and little progress has been made with "integrated transportation," or the diversion of highway tolls for railway and tube improvement. As Mr Robert Moses has it, the future is still arriving on rubber tyres.

The weakness of these two books, as of the whole regional study, is that they overdo the significance of economic forecasts, especially as these forecasts are necessarily built on most slippery foundations. Consequently, too little attention has been paid to social, governmental, and other influences upon where people live and work. It is social tastes that have already reduced New York City's population below Mr Vernon's 1985 forecast, while causing faster growth on the more distant shores of Long Island. It is extensive zoning in one-acre lots ("zoning poverty out of existence," it is sometimes called) that is checking the growth of Westchester county's population. Some of the forecasts seem too deterministic. Is it really probable that the number of manufacturing jobs in New York City will continue to grow? And may not transport problems push much of the projected development into other, emptier regions?

"Metropolis 1985" illustrates the difference in the British and American attitude to

urban growth. The fantastic urban spread that so appals British planners has a magnetism to Americans: what would our green belt planners think of the vast areas of very low-density housing arising for miles around New York? The market economy is accepted by the New York study as a central fact, with government activities as very peripheral, whereas British planners want the economy to comply with their social goals. But both groups have much to learn. A proper economic analysis of the forces behind the continued growth of the London region is long overdue. The New York researchers, for their part, should go beyond their "objective" (but still most uncertain) market predictions to a closer analysis of the other factors shaping regional development, and of the possible ways in which government could influence this pattern for the better.

Mr Maudling's Ancestry

The Colonial Office in the Early Nineteenth Century

By D. M. Young.

Longmans. 320 pages. 35s.

MR GLADSTONE once observed that "the golden age of administrative reform" fell between the passing of the first Reform Act and the outbreak of the Crimean War. This judgment applies very readily to the history of the Colonial Office and in particular to the decade between 1836 and 1847 when James Stephen exercised his ascendancy as permanent under-secretary. But the author of this book, Mr Young, has looked back to the first thirty years of the century and has examined the origins of change in colonial administration as it was organised from Whitehall in that period.

The outcome has been a valuable piece of work, interesting not only in itself but also as a part of the larger story of administrative change that took place in every department of government under the impulse of the younger Pitt and the school of statesmen trained by him or in his principles. Pitt himself neglected colonial administration during his first, great ministry; so when the third secretaryship of state, which had been abolished in 1782, was restored in 1794, the original plan to allot it the supervision of the colonies as well as of war was not preserved, and instead, for political reasons, colonial business was left in the care of the Home Secretary. Only in 1801 did the third secretary of state become responsible for War and Colonies. Even then, until the war against France had been won, colonial affairs naturally took second place in this double office. But in the next fifteen years, and particularly in the prosperous years of the middle twenties, colonial business greatly expanded and dominated the office. It was then that the foundations were laid for the modern Colonial Office: by extending its accommodation; by increasing its personnel; by improving its methods of

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work; and by raising the intellectual status of those who conducted it.

The hero of this transition was Lord Bathurst, who was secretary of state from 1812 to 1827. A true "Pittite," Bathurst believed in making the existing system of government work and was always suspicious of sweeping reforms advanced on theoretical grounds. "There is nothing," he minuted on one occasion, "so fatal to investigation of truth as the having a preconceived system." No slave to forms for their own sake, he saw that they frequently embodied "the substance too"; and in his decisions of policy he fearlessly looked to the interests of the individual colonies under his care, even if this meant battles with reformers in Parliament and in the Treasury. When Huskisson abolished custom-house dues in 1825, Bathurst urged that the Treasury should pay for this—not the colonies—since the purpose of the reform was purely commercial and "the British Merchant will be much more benefited than the poor Planter."

But Mr Young is not in sympathy with Bathurst. He accuses him of "waspyish obstruction of attempts at reform" and of "stout resistance to all change." And while he sees Bathurst as the "key figure" in this period, he ascribes the great advances in the Colonial Office more to the unco-ordinated enthusiasm of Wilmot Horton who, as he puts it, "boldly wove the new web round the solid core of Lord Bathurst's good nature." Nevertheless it is a measure of the excellence of Mr Young's book that, while putting forward his own interpretation of personalities and trends, he leaves it open to his readers to take different points of view on the basis of the ample information he has lucidly assembled.

Labour in the House

Parliamentary Socialism: A Study in the Politics of Labour

By Ralph Miliband.

Allen & Unwin. 356 pages. 35s.

No one can complain that the Labour party does not receive its fair share of academic studies these days, and Mr Miliband's is one more useful contribution. The theme of his analysis, Labour's devotion to the parliamentary system, and conditioning by it, is a valuable one. The historical treatment generally is sound. Mr Miliband assembles a mass of information from numerous sources: he is particularly illuminating on the periods of Keir Hardie's and of Ramsay MacDonald's pre-eminence, during which the effective autonomy of the Parliamentary Labour Party was established. The writer is clearly a partisan, yet not intentionally guilty of wishful thinking. A major concern for him is the defectiveness of Labour leadership, but he is equally frank about the ineffectiveness of the Left and fairly realistic about the mood of public opinion. However, his standpoint, though it may make for interesting reading, can

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hardly be substantiated to the satisfaction of most informed readers.

Of course, *plus ça change*... is as true of the Labour party as of any other institution, and the rift between Right and Left is not really new. Mr Miliband must look more deeply to pinpoint the causes of the party's specific failures, which, incidentally, were not always so serious as he seems to think. Generally his prescription is for more national campaigns, more parliamentary obstruction and, it would appear, direct action. There is no proof that the first two would have been any more successful in, say, the Munich era than the actual reactions of Labour in Parliament and in the country. As for industrial action for political purposes, the writer is far from clear about his own position, and his narrative provides the answer to whether it would be practicable.

Mr Miliband seems to be at his most pessimistic in his consideration of current Labour ideology, but this problem again is, as he shows, no new historical phenomenon. Labour has always had both its Milibands and its Croslands. It also has, we should remember, the trade unions and the co-operatives. Labour's effectiveness for the years ahead is not a challenge merely to its political and parliamentary wing, and its problems do not so much arise from the party's "respectability," as Mr Miliband's argument is inclined to run; effectiveness will also depend in no small measure on the adaptability of the institutions of the Labour movement, in the widest sense, to the needs and tasks of this new era and society.

Spinner of Webs

The Holstein Papers, Vol. 3: Correspondence 1861-1896

Edited by Norman Rich & M. H. Fisher. Cambridge University Press. 680 pages. 105s.

AFTER the memoirs and the diaries, the first volume of Holstein's unpublished correspondence up to the end of 1896 has now appeared. It is really almost more than one had bargained for. Wherever the circumstances are precarious Holstein has invariably placed a confidant discreetly to inform him of every indiscretion. From Radolin he received letters with the most intimate information about the Crown Prince Frederick and his wife. Once the Crown Prince's illness had become critical, the distasteful battle began between the British doctor, Mackenzie, and the German medical advisers; Mackenzie, called in and backed by the Crown Princess, was blamed for his undue optimism and held responsible for the tragic death of Frederick after a three months' reign in 1888. The whole situation was used to inflame the personal resentments that culminated in Wilhelm II's hatred for his mother. It is interesting to find Philipp zu Eulenburg later boasting to Holstein of his struggle against Wilhelm's anglophobia.

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Scarcely was his father dead than the new young Emperor set out on a naval excursion in order simultaneously to indulge his marine ambitions and to try his hand at what would now be called summit diplomacy in St Petersburg. This time Holstein had arranged with Kiderlen-Wächter to send him letters describing every detail of the voyage and the visit. The Kaiser was the second on board his *Hohenzollern* to be seasick, but, undismayed, he declared that he would travel like this each autumn and take many more ships in the future. He was accompanied by Herbert Bismarck whom Kiderlen described as having the greatest difficulty to induce the Emperor to listen to instructions from the ageing Chancellor: "he [Wilhelm II] seems to regard all this as very insignificant compared with the question of how he will bring in his fleet." In St Petersburg the Emperor replied in Russian to the Czar's toast in French, but, not having learnt the Russian for the word army, was unable to return the Czar's compliment to the German Army. On the whole this tiro's escapade went off better than many had feared.

By and large this voluminous collection of letters adds endless gossip and thus a certain colour to the history we know. "Now that you are more or less the absolute ruler," Holstein's old friend, Karl von Eisendecher, wrote to him four months after the dismissal of Bismarck, "one ought

BOOKS

really not to plague you with letters." On the contrary, the old master spider wove his web with all these confidences, many of them surely as indiscreet as those promised by word of mouth. His power in the nineties was immense. He had defeated the Bismarcks, he enjoyed the intimacy of Philipp Eulenburg, the Kaiser's most intimate friend. At the beginning of 1894 Eulenburg succeeded Prince Reuss as ambassador in Vienna. This was part of a shift round that also made Bernhard von Bülow ambassador in Rome and which fortified Holstein against the defeated Bismarckians still left here and there in the German foreign service. While Prince Reuss wrote to Holstein to say that the tradition of a great age lived on in him, Holstein continued to receive details about the All-Highest from Eulenburg, whose frequent absence from Vienna was quickly the subject of adverse comment.

Radio Robots Communist China Today

By S. Chandrasekhar.

Asia Publishing House. 199 pages. 21s.

PROFESSOR CHANDRASEKHAR, Director of the Indian Institute for Population Studies in Madras, toured Communist China at the end of 1958; he had previously seen something of Kuomintang China in

1940. As a specialist on population problems, he was chiefly interested in the Communist attitude towards the increase of China's already enormous aggregate of human beings; he was also concerned, however, to observe what he could of the workings of the social and economic institutions of the People's Republic, bearing always in mind the analogies between China's basic problems of development and those of India.

The author found much that was impressive and praiseworthy in China's economic effort, but as an Indian of strong democratic convictions he was appalled at the complete regimentation and uniformity of Chinese national life. Although he was hospitably received by officials, he could make no real personal contacts, and never came across anyone who would admit to a thought independent of official propaganda. The system seemed to him to be producing a race of "robots responsive to radio." The ubiquity and incessancy of radio loud-speakers appears, indeed, to have been the strongest of all the impressions he carried away with him from China. "The voice," as he puts it, "blares away at one in the bus, in the train, in Pullman sleepers and dining-cars, on street corners, in villages, towns and cities... even in the most backward villages I saw the loudspeaker hidden in the tree tops."

The radio propaganda, which reaches everyone throughout China, has three main functions: to glorify the Communist party

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BRITISH CO-OPERATION

by A. Bonner

The most important book on the British Co-operative Movement since the publication in 1934 of "Co-operation" by F. Hall and W. P. Watkins has just been published by the Co-operative Union. Written by Arnold Bonner, who gained with distinction the Oxford University diploma in Economics and Social Science, "British Co-operation" deals with the history, principles and organisation of the Co-operative Movement from its commencement to the present day, emphasising its development since the first world war.

This major work of 540 pages now becomes the standard text book for students of Co-operation, but, far from being just a text book, it is the most comprehensive and up-to-date work of its kind and will for many years be the principal work of reference on British Co-operation.

Comprising 18 clearly divided chapters, the book also contains a comparatively short historical section with appendices which include extracts from important historical documents, as well as a biographical dictionary, a list of publications, and the principal provisions of the Industrial and Provident Societies Acts.

Price 17s. 6d., by post 19s. 6d. Published by the CO-OPERATIVE UNION LTD., Holyoake House, Hanover Street, Manchester 4.

and its achievements, to inculcate hatred of imperialist America, and to exhort the people to ever greater efforts in production. The amount of work done by the people under the impulsion of the regime the author found to be prodigious, but he maintains that the principle of treating manpower as capital often means that ten men are put to do the work of one, so that even with China's enormous population there tends to be a shortage of labour—one result of which has been the reversal of the previous communist policy of trying to limit the increase of the population through birth control.

Hinduism in Indian Life

The Soul of India

By Amaury de Riencourt.
Cape. 447 pages. 25s.

MR DE RIENCOURT'S theme is the interaction through time of Hindu thought and Indian society. His central doctrine is that the Hindus are a people of space, not time. Their emphasis is on the immanence of God in the universe, not, as with the Jews, on the working out of God's purpose through history. For them eternity does not go forward, but round in circles. The world is an illusion, creation but God's play, to be succeeded endlessly by destruction and new creation. Therefore, the best Hindus have concentrated on mystical experience, for which the necessary preliminary is the stripping away of the personality, and which is in the end incommunicable because it is beyond logic.

Therefore, too, the Hindu mind is unworried by contradictions, since logic is a trammel, and knows no one divinely revealed system of ethics; since it is not loving one's neighbour, but total non-attachment either to one's neighbour or to oneself, that is the way to salvation. Hence the meaningless cynicism of so much of Indian history, with its wars without principle and its princes without morals. Hence, too, the suitability for the old India of the caste system, which enabled different groups to follow different rules of life, and still to live together in peace. Hence, finally, the endless tolerance of Hindu life; where only return to the One matters, there is no need to quarrel over the approximations of this world.

Muslim conquest created a Muslim community in India, whose sense of separateness led eventually to Pakistan. It did not essentially change Hinduism, except to make caste more rigid. British rule, however, did shake the Hindus, both through the evident British material superiority, and through the Christian concern with one's neighbour. The westernised intellectual, symbolised by Nehru, represents India's attempt to absorb western knowledge. The succession Ramakrishna, Vivekananda, Gandhi represents Hinduism's acceptance of the need to attain salvation through works in the world also. Hinduism is still

BOOKS

the fundamental fact of Indian life; the bar to communism, which rests on a world view steeped in the idea of progress through history; the cornerstone of a unity threatened by linguistic differences; the possible mother of a reaction to a self-absorbed and xenophobic past.

Indian history is so uncertain that it is possible both to defend and to attack most of Mr de Riencourt's dicta. One does not know whether the Harappan civilisation was bourgeois, or whether Indian kings in fact read Kautilya, or whether the Mauryas were really conquerors of a quite different order from the Satyavahanas or the Guptas, or whether race had anything to do with caste. Sometimes Mr de Riencourt is clearly wrong: the Industrial Revolution did not depend on the plunder of Bengal; the zemindars were not the major moneylenders; British idealism as well as British weakness brought about the independence of India; Gandhi had an aim of independence he never forgot, and did not simply move from disconnected present to disconnected present. But none of this really affects Mr de Riencourt's main contention. Here it is more important that he has probably overestimated the importance of monism and underestimated that of bhakti. The Indian today is less devoted to mysticism, and more devoted to his personal God and his daily duties than Mr de Riencourt allows. One suspects that it was always so.

Peter Stubs, File-maker

An Eighteenth Century Industrialist:
Peter Stubs of Warrington, 1756-1806

By T. S. Ashton.

Manchester University Press. 166 pages. 21s.

THIS reissue of Professor Ashton's famous study of a Warrington file-maker, first published in 1939, only serves to show what a superb piece of historical writing it is. Business history has flourished greatly since the Manchester school of economic historians inaugurated it, but no one has matched Mr Ashton's ability to express the essential problems of business enterprise so vividly and yet with such wonderful discipline and economy.

Of the good things there seems no end. We see Stubs beginning as a small master, making files to the order of merchants and manufacturers (who usually supplied him with steel in return), his wife taking in washing to make ends meet. Later the file-making business was extended and combined with the role of malster-innkeeper-brewer, activities that were mutually helpful. The beer barrel dregs provided good protective paste for the files, while the inn was a good centre for industrial and friendly society activities. Eventually Stubs had his own factory; he branded his goods and widened the entrepreneurial function to establish direct contact with retailers and to eliminate the middleman in the sale of manufactured goods. A fascinating account

THE ECONOMIST OCTOBER 14, 1961

is built up of Stubs's relations with his normally debt-ridden workers and of his attempts to resolve two of the most serious problems he had to face—transport and the means of payment. The Ashton touch is superb; never too much detail but always enough to make the book live.

Stubs was obviously a good employer for his time, not above a little chicanery over discounts and the like now and then, fond of racing and good company, and dying before the real returns for his efforts could be reaped. There is his daughter, Sarah, writing so fluently and charmingly and only sixteen at that. Would that Mr Ashton had constrained himself less here and told us more; when last mentioned she had a slightly broken neck. There is the out-worker, Carolus Charles, vainly seeking to escape his creditors and seeing his son hanged for rape. It is a fine human document as well as an incisive study into the mechanics of an emerging industrial economy.

Too many academic business historians, though aspiring to Mr Ashton's scholarship, ignore his wit and humanity and above all his brevity. We must thank the Manchester University Press for giving a new generation the chance to keep this rare book ever present on their desks.

MAJOR DOCUMENTS IN AMERICAN ECONOMIC HISTORY. Edited by Louis M. Hacker, D. van Nostrand. Anvil Original. Vol. I, 188 pages; Vol. II, 187 pages. 9s. 6d. each.

These paperbacks in handy format contain texts of most of the important American documents pertaining to finance, development and trade, tariffs, immigration, inter-State commerce, censuses, silver, anti-trust laws, investment in the United States, railways, canals, etc.; they are well worth their price of less than a pound sterling.

STATISTICAL SUMMARY OF THE MINERAL INDUSTRY: World Production, Exports and Imports, 1954-1959. Overseas Geological Surveys, Mineral Resources Division. Her Majesty's Stationery Office. 400 pages. 27s. 6d.

CENTRAL EUROPE. By Alice F. A. Mutton. Longmans. 499 pages. 50s.

Today, when Europe is either east or west, there is a real doubt about the existence of Central Europe, and Dr Mutton is therefore to be applauded for her courage in trying to write about it. Even on her restricted definition of what constitutes Central Europe, the writer is faced with the need to bring within the limits of a single regional treatment countries so economically, culturally and politically disparate as the Netherlands and Slovakia. Perhaps because of the difficulty of treating "Central Europe" as a whole, most of the book is in fact given over to orthodox regional description on a country by country basis. The writer evidently shares the usual English passion for mountains, and this is fortunate, as there is a curious lack of geographical material in English on Switzerland and Austria. Away from the Alps, however, the adequacy and accuracy of factual information decline, especially with the passage of the "iron curtain." Towns are incorrectly placed (which reference to an atlas could have avoided), the economic information is unreliable, and the human geography sometimes garbled. This is a pity, for the book otherwise contains much that would be useful for the advanced students of geography for whom it is intended.

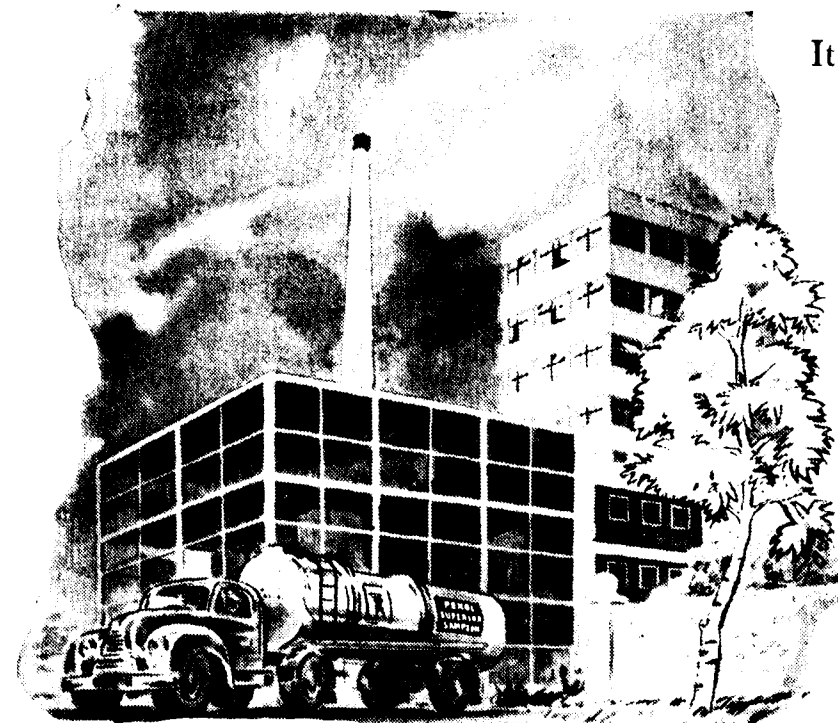
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Other securities	10,845,299
Loans	2,286,395,333
Customers' acceptance liability	193,674,479
Stock of Federal Reserve Bank	12,750,000
Investment in subsidiary companies	7,020,496
Bank premises	18,053,579
Other assets	119,630,468
	\$4,679,524,281

Liabilities

Deposits	\$3,774,913,073
Foreign funds borrowed	1,119,250
Reserve for expenses and taxes	31,732,178
Liability on acceptances	196,562,164
Dividend payable October 13, 1961	7,540,000
Other liabilities	101,600,334
Capital — 7,540,000 shares	
— \$25 par	\$188,500,000
Surplus	236,500,000
Undivided profits	141,057,282
Total capital funds	566,057,282
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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.

Aid on the American Plan

WASHINGTON, DC

THE United States has not been doing well lately in the battle for the billion or so "non-aligned" people who are believed to hold the balance of power in the world. President Kennedy intimated in March that he thought long-range plans were what gave the Soviet Union an advantage in the field of foreign aid. He said that they enabled Russia to advance its schemes for world communism by making less developed countries "economically dependent on Russian support." The United States, by contrast, has expended its energies and its help in dashing from one economic crisis to another in different countries like a fireman putting out fires while people died of thirst. From now on, the least developed countries will be encouraged, even commanded, to adopt "national development programmes" into which American loans at little or no interest, American surplus food and American equipment, technicians and know-how will be fitted. A decade of development is to replace what one critic has called "a decade of aimless fumbles."

The short title of the new aid legislation is the Act for International Development. This was also the name of President Truman's vaunted Point IV programme. But the tonics dispensed under past schemes are now dismissed as "haphazard and irrational" by Mr Kennedy and "muddled and confused in operation, often mediocre in administration" by Mr Eugene Black of the World Bank. Mr Black also declared last week in New York that foreign aid had failed to stop communism, make friends or expand American trade. The confusion has extended from Japan, where President Eisenhower was not received, to North Africa, where military aid to France has been used against Algerians, and to Cuba, where arms for President Batista led only to a near-communist government. Mr Khrushchev is identified by many citizens of the less developed countries as their potential friend, while the United States and its allies remain identified with what Senator Humphrey has called "the rich, the powerful and the steel companies."

Congress gave Mr Kennedy an economy version of the new lamp he asked for. Originally the President wanted seven separate aid programmes, including the Peace Corps, to be integrated into a single agency. What in fact has been done is to rename the International Co-operation Administration, to lump the Development Loan Fund in with it and to give the whole thing higher standing in the State Department. But Mr Fowler Hamilton, the new head of this new agency for international development, feels that the important thing is to create an entirely fresh spirit in an at least partly fresh staff, so that dams and roads can roll efficiently off the assembly line in the less developed friendly countries. Therefore he plans to run the agency "like the four billion dollar enterprise it is," manning the upper levels with big business names if he can get them, as well as with top economists and scientists. He calculates that Congress will be ready to give such men of proven ability whatever sums they say they need, within reason. But if this calculation should fail, the appropriation committees, while probably acknowledging a moral obligation to furnish money for the loans that the President is now authorised to promise in

advance of appropriation, may hack the more savagely at other foreign aid funds, such as contingency appropriations, in order to reduce the total to the figure that they, not the President, deem sufficient.

There are still suspicions concerning the sort of genie the new lamp will produce when it is rubbed by Mr Hamilton. He says that the agency will gladly extend aid to foreign capitalists, not just to foreign governments. There is nevertheless a fear that the private corporation, the characteristic powerhouse of American enterprise, may be relegated to a subordinate role, in favour of the kind of government-to-government dealing in which the Soviet Union has had the most practice. Senator Capehart has said that he tried to ensure that half the aid funds going to Africa went to private enterprise, but was told that in the new African countries which are to receive aid there was no private enterprise to encourage. He concluded that America was simply "hurrying along the day when these nations will be socialised." It would certainly be ironical if the United States unconsciously helped to export the Russian socialist, instead of its own American, revolution. Senator Capehart is one of the most conservative Republicans, but many other Americans believe that the purpose of aid should be to ensure that private enterprise is established in places where it does not now exist.

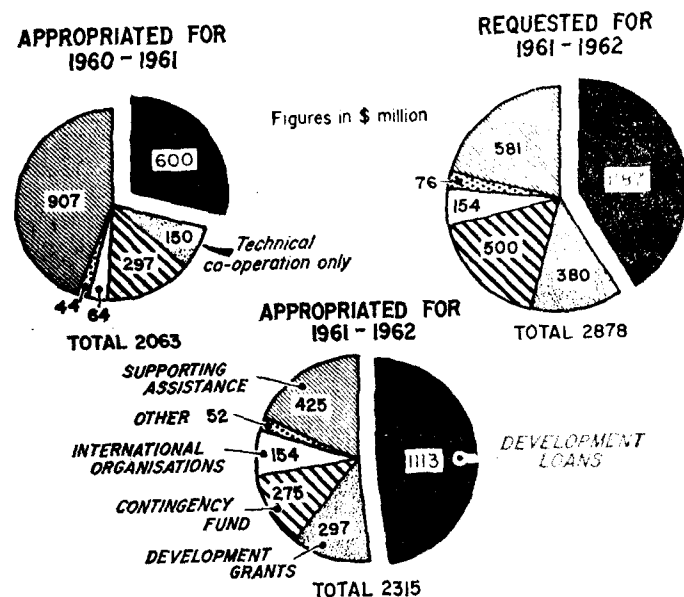
It can be argued, however, that AID is hoping to export the American dream of the cleared forest, the little red schoolhouse and the court of law, with a consequent growth of fairly distributed and well-diffused wealth, culminating in the appearance on the scene of a local General Motors Corporation, and with an indigenous John F. Kennedy in the no longer less-developed country's equivalent of the White House. Most Americans, it is true, believe sincerely (if erroneously) that their own national progress from coonskin cap to riches was strictly a bootstrap operation, achieved entirely without outside help and indeed with a great deal of foreign hindrance, especially in the early stages. But there is also a growing recognition that the American forests and plains, in spite of the Red Indians, were perhaps a softer proposition than equatorial jungles and tropical diseases. Also, Americans brought with them to the new world a feeling for thrift and hard work which, unhappily, today's less developed peoples are rarely blest with in their very different environments and with their startlingly different customs—for instance, cow-worship and caste systems. But the Americans are anxious to implant among the less developed the virtues that made them great themselves. The National Association of Mutual Savings Banks, with over \$40 billion in the kitty, proclaims itself "ready, willing and able to offer know-how to underdeveloped nations to encourage thrift, on a basis that unsophisticated nations can understand."

Mr Hamilton says that aid will go first to the countries which display the American virtue of self-help. The national development plans that their governments produce will have to be judged to have a reasonable chance of success before loans are forthcoming. The top people in countries to be aided must no longer refuse to pay taxes on the excuse that these only enable the finance minister to acquire another mistress. American technicians will not be sent to underdeveloped countries merely to serve as a base for a bureaucrat there to build himself a pyramid of power on the Parkinson plan. More equal opportunities will have to be

created for the mass of people by, for instance, taking land from the rich and distributing it among the peasants. Such countries may conceivably even be asked to do something about their population problem; it is estimated that, at its present rate of procreancy, Latin America will need to double its income in the next thirty years merely to keep its living standards at their existing miserable level.

A spirit of self-help, however, will not suffice by itself. It is commanded that "great attention and consideration should be given to those nations which share the view of the United States on the world crisis." This phrase was inserted in the appropriation Bill by Congress as a hint to President Tito of Yugoslavia, following his apparent defence of Russia's resumption of atomic tests. It was said that Ghana would have to satisfy the requirement of friendliness before it gets the promised assistance for the Volta aluminium and hydro-electric project although the President seemed to soften this at his press conference this week. Henceforth, the United States is going to be much more unwilling to submit to blackmail along the lines of "more aid, or we turn to Russia." And the Department of Defence may be less able than in the past to obtain dollars for the propping up of undemocratic regimes on the ground that they are staunchly anti-communist.

Economic Aid



THE character of foreign economic assistance has changed radically this year. As the chart shows, the funds for development loans have doubled, while the grants for supporting assistance—to countries which otherwise could not meet their heavy military commitments or which are on the verge of economic collapse—have fallen sharply. Such grants have been viewed with increasing suspicion by Congress as constituting an endless drain and the President's original request reduced them, though not as drastically as Congress did in the end. Technical assistance is now lumped with various other programmes under the heading of development grants. In addition to this new money, Congress authorised the use of \$69.5 million from unspent earlier appropriations. The appropriations measure also included \$30 million for the Peace Corps, \$110 million for the Inter-American Development Bank, \$61.7 million for the United States subscription to the International Development Association and \$7 million for the administration of the Ryuku Islands. In all, overseas economic assistance during this fiscal year, which began in July, will cost \$2.6 billion; an additional \$1.6 billion is to be spent on military assistance.

The aid legislation declares that one of its aims is "to help make a historic demonstration that economic growth and political democracy can go hand in hand." This did not prevent President Abboud, who was welcomed in Washington with a big street parade last weekend and entertained in the White House with an excerpt from "Macbeth," from remarking that he hoped for aid but would not permit political democracy in the Sudan. But he and others may find that times are changing.

Filling Mr Rayburn's Shoes

THE President flew 3,000 miles this week to Texas to pay a farewell visit to Mr Samuel Rayburn, who has been in the House of Representatives since 1913 and who has been its Speaker (with the exception of two short periods when the Republicans were in control) since 1940. In "Mr Sam" the country is losing an important link with an earlier America and the President a man whose long experience gave him unusual authority over the unruly and unwieldy House and who had a keen sense of how far it could be coaxed or driven. The chaos which followed Mr Rayburn's departure at the end of August is warning of the trouble which may be in store for the White House next year. Even the ablest of successors could not hope, at the outset, to fill Mr Rayburn's shoes.

Traditionally the majority leader, in this case Mr McCormack of Massachusetts, succeeds the Speaker and, in a body where seniority is so sacred, tradition is hard to flout. There are reasons for doing so this time but it is hard to believe that they will prove persuasive. As acting Speaker in the last month of the session Mr McCormack's performance—particularly over the foreign aid Bill—left much to be desired, though it would not have been easy for any man to exercise real authority with only a temporary mandate. Moreover he is a Roman Catholic at a time when one of his co-religionists is President and another is the majority leader of the Senate. Finally Mr McCormack is not on the best of terms with the White House, partly because of the part he played over the education Bill, partly because he and Mr Kennedy have clashed for a long time in their native state of Massachusetts.

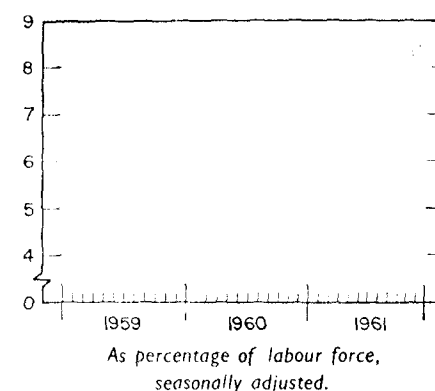
But none of the other candidates is without drawbacks. Mr Albert, of Oklahoma, who has been promoted to be temporary majority leader, is fair and has few enemies but is no driver; Mr Walter, the chairman of the Committee on Un-American Activities, who has postponed his retirement on the chance that he might be chosen, has an illiberal reputation on immigration and civil liberties, although he is popular personally even in unexpected quarters; Mr Bolling of Missouri, one of Mr Rayburn's most effective lieutenants, who might have been the Speaker's own choice, is well regarded by the White House but is too young to have accumulated much seniority and is too liberal for many members. Probably only Mr Rayburn himself could have prevented Mr McCormack's succession; certainly it would be imprudent for the President to intervene openly. In the three months before the decision must be taken, the White House seems likely to use its influence discreetly to secure the choice of a strong majority leader in the hope that he may become Speaker before too long; Mr McCormack is 69.

Recovery at Work

IN the usual monthly flood of statistics on the employment situation in the United States the Secretary of Labour, Mr Goldberg, has found solid ground for optimism. In September the number of non-farm wage and salary earners rose to a record 53.9 million, an increase of 500,000 for the month and a gain of 2.6 million since February, which marked the low-point of the

recession. This seven-month gain is double the usual seasonal improvement and includes a very welcome increase of 500,000 in the motor, steel and other durable goods industries which bore the brunt of the recession. Moreover, there is good reason for thinking that the September showing would have been considerably more encouraging had "special factors" not conspired to depress the labour market in the week that the count was taken. Hurricane

UNEMPLOYMENT



Carla left her mark off the farm as well as on it (particularly in the construction industry); the strike at the General Motors Corporation held back the recruitment of workers to turn out the new cars; and the Jewish New Year reduced the number at work in the garment trade and elsewhere. In the course of September the number of those without work fell by 450,000 to 4.1 million; although still a very high figure it compares favourably with the 5.7 million jobless last February. Even so, the seasonally adjusted rate of unemployment, at 6.8 per cent, showed little change from its level of the preceding ten months. Again, a "special factor" can be blamed; between August and September, with the schools and the armed services dipping heavily into the labour pool, the size of the civilian labour force (at work and out of work) shrank by nearly two million; this kept the percentage from falling.

Although unemployment is expected to decline substantially between now and Christmas, there is still clear need for special measures. One out of every ten unskilled workers is currently out of work and 800,000 teenagers, many of them at present fitted only for unskilled work, are among the unemployed. It was therefore regrettable that the House of Representatives (thanks to its Rules Committee) postponed until it meets again in January consideration of a Bill already passed by the Senate to train the unemployed in new skills at public expense. At the same time, the five-month old programme for pumping \$394 million of loans and grants into "depressed" areas has (with only two minor projects to its credit) barely got off the ground. Since each successful applicant must both produce long-range plans and receive the blessing of some seven government departments, the impact of the programme on unemployment is likely to be somewhat delayed.

Growing Pains in Electronics—II

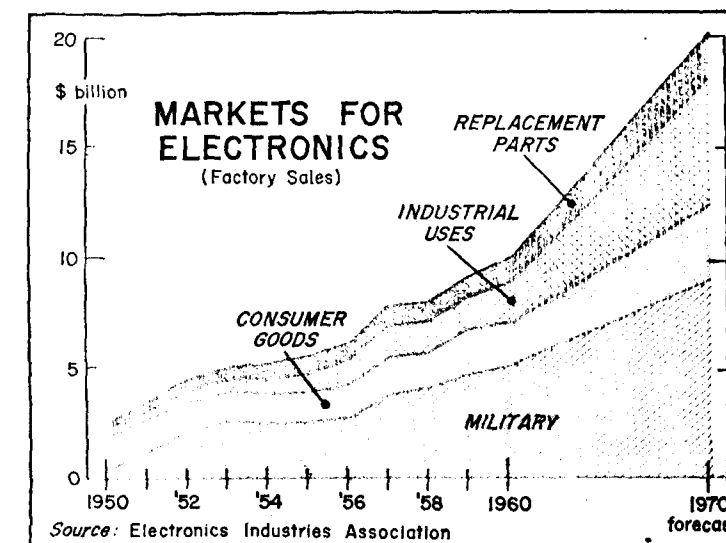
FROM A CORRESPONDENT IN CALIFORNIA

IN the copious literature about electronics firms provided by investment houses, little emphasis is placed on the part played by government contracts in the rising volume of their sales. Much more is made of the glittering civilian future of the esoteric devices—diodes and triodes, masers and lasers, transistors and capacitors—that so far have had meaning and usefulness chiefly for the armed services. But the fact is that the dramatic growth of the industry, which now employs 750,000 people (including a fifth of the country's engineers) has been generated and sustained largely by military orders. Not only have defence budgets increased almost continuously, but the role of electronics in armaments has more

than doubled. Government demand seems certain to go on growing. Space research and exploration is expanding rapidly and an ever larger proportion of every military dollar is channelled into electronics because missiles, which are replacing manned aircraft, rely much more heavily than aircraft upon electronic gear.

On the other hand, the production of radios, television sets and other consumer goods, which constitute the second largest segment of the industry, has been beset with such difficulties that it experienced little growth during the whole decade from 1950 to 1960. The latest and probably most menacing difficulty, the large-scale imports of cheap Japanese electronic goods, threatens to depress even further a business already suffering from slackening demand. Last year consumer purchases only just managed to exceed the \$2 billion spent in 1959, and early in 1961 sales dropped toward the annual rate of \$1.5 billion, which had been reached as early as 1950 when consumer goods made up 60 per cent of the industry's sales. Television sets account for more than half of the sales to consumers, but nine out of ten households already have a set. The demand for replacements, exports, the growth of the population and improvements such as colour television are not enough to make the coming decade look inviting.

The part of the civilian industry which is growing the most rapidly and looks the most promising is that which is adapting to the use of industry and commerce devices—most of them developed for military purposes—that can perform a whole range of tasks more quickly and more economically than present methods can. Progress in this field depends, necessarily, on the general level of capital spending by business and its willingness to pay the high costs of what are admittedly better methods. They have been used most successfully in clerical work and accounting; banks,



insurance companies and government agencies are all resorting to electronic computers to deal with their rising flood of paper work. The future looks particularly bright in the field of microwave communication and in the "automation" of industrial processes through the use of continuous processes to test and analyse materials and control quality.

The manufacture of basic electronic components—tiny (and large) tubes, transistors, diodes, rectifiers and many others—accounts for about one-third of the industry's factory sales. They command a market of about \$1.3 billion a year and are used in a wide variety of consumer and industrial products. But the replacement demand is slight, because the outstanding characteristic of many of these components is that they hardly ever wear out. In the past five years enormous strides have been made in "solid-

state" devices, so-called because they involve the movement of electrons through solid materials (semi-conductors) without moving parts, rather than through heated filaments or vacuum tubes. The original solid state device, the transistor, first appeared in 1949, but its use spread so slowly that by 1955 sales still amounted to only \$37 million a year. But demand from the services (an advanced missile may require more than 100,000 semi-conductor devices) has helped to push sales up to \$600 million this year and it is estimated that they will total \$1 billion three to five years from now. Obsolescence is rapid, however, in this field: just as the vacuum tube was supplanted by the transistor, the transistor in its turn is being succeeded by newer and tinier devices which operate at speeds a hundred times greater, use a hundredth of the power and take up a hundredth of the space. Once "miniaturisation" was said to be the advantage of semi-conductor devices, but now the watch-word of the industry is "sub-micro-miniaturisation."

BUT by far the most important product of the electronics industry has been ordinary shares. Issues of electronics companies provided the most popular vehicles for the speculative surge which carried the stock markets to new high levels in the past decade and they have been especially prominent in the flood of new issues and the increase in over-the-counter trading (that is, trading outside the established stock exchanges). During the nineteen-fifties the prices of electronics shares far outran the rise in the standard stock market averages and they managed to remain strong after the market turned down early in 1960. Electronics shares had their own, more severe, recession in the second half of the year, but they still sell for prices that, relative to their earnings, are much higher than industrial shares in general. Most electronics issues still command prices 50 to 70 times their annual earnings while the average for industrial shares is about 18 or 19 times earnings: some electronics firms with no earnings at all are popular with investors looking for companies with the greatest supposed possibilities of growth.

Almost any share with "electro-" or "-tronics" or "aero" in its name is easy to sell, even if the firm, like one called "Aero-Dynamics Corporation" is only in the business of importing Italian marble and tiles. Even when only legitimate firms are concerned there has been almost continuous creation, often by a kind of fission process, of new electronics companies. At the last count there were more than 4,000, most of them very small ones formed by small groups of scientists which have split off recently from larger organisations. It is widely known that, as employees, electronics scientists display a degree of instability approaching that of the sub-atomic particles they study. They are often reluctant to abandon academic pursuits for "applied" activity and many care little about the high salaries that are offered for their scarce services or the fortunes that Wall Street has heaped on some of them who have set up their own companies. Therefore the advertisement columns of the newspapers and technical journals are full of appeals that stress the recreational and academic resources that a firm in, say, California can offer and the stimulating intellectual atmosphere of its laboratories. The scientists' personal preferences have influenced the geographical pattern of the industry, which is concentrated largely in six or seven centres, usually near university communities in places with better-than-average climates. Electronics is a light manufacturing industry which can be carried on outside industrial centres; it requires little in the way of space or raw materials and many companies started in the basement or garage of a scientist at a university, who later built his factory nearby.

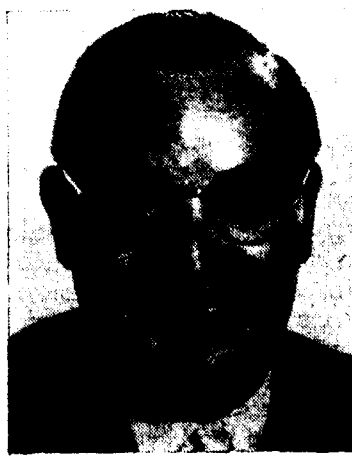
One further quality of the scientists—their discomfort at feeling "lost" in a large organisation—has been at least partly responsible for the failure of some firms to grow as expected and even for the over-production of semi-conductors. Companies expanding

in order to qualify for large government contracts have often found that a key man or scientific team has begun to feel engulfed and has moved—often only down the street—to set up shop independently. The Bell Laboratories not only gave the transistor and its multiplying family of semi-conductors to the world in 1948, but they were also the original source of many of the scientists who now head the firms that are manufacturing a surplus of such devices. The enthusiastic stock market encouraged the atomisation of the industry by pressing capital on the scientists who sought independence.

Nixon's Hurdles

AS Governor of California, the second most populous state, Mr Nixon would have a powerful political base and a platform from which to express his views; he lacks both as a private citizen. By standing next year he will earn the gratitude of his party, which wants to recapture California and elect as many as possible of its thirty-eight Representatives. Moreover, the promise he has had to make—that he will not be a candidate for the Presidency in 1964—means that he will have an excellent excuse for sitting out a presidential election which is not likely to be won by a Republican. But if he is defeated in California, Mr Nixon probably will be out of politics for good. The hurdles to be surmounted explain why it took him so long to make up his mind to take this gamble.

The Republican nomination for Governor, which will be decided at an intra-party election in June, is not Mr Nixon's for the asking.



Governor Brown



Mr. Knight

There are three other men in the field, notably Mr Knight, an ex-Governor who blames Mr Nixon for the party pressure which forced him to withdraw from the race for Governor in 1958 (he ran for the Senate instead and was defeated). Early last month Mr Knight invited Democrats to invade the Republican primary to defeat Mr Nixon. Last week Mr Knight charged that an emissary of Mr Nixon promised him any appointive job in the state if only he would not contest the nomination—an offer which Mr Nixon says was made without his knowledge. The sight of Republicans trying to cut each others' throats has the Democrats rubbing their hands; a hard-fought primary might leave the victor badly bruised. Lack of money may hamper Mr Knight but he is not a negligible opponent; he has kept himself in the public eye as a television commentator and he has strong links with labour, which is powerful in the state. Mr Nixon has already gone part-way to meet the hostility of the trade unions by opposing the passage of right-to-work (anti-trade-union) legislation which, as Mr Knowland discovered in 1958, is political poison in California. Mr Nixon has also disowned the support of the extreme right wing group known

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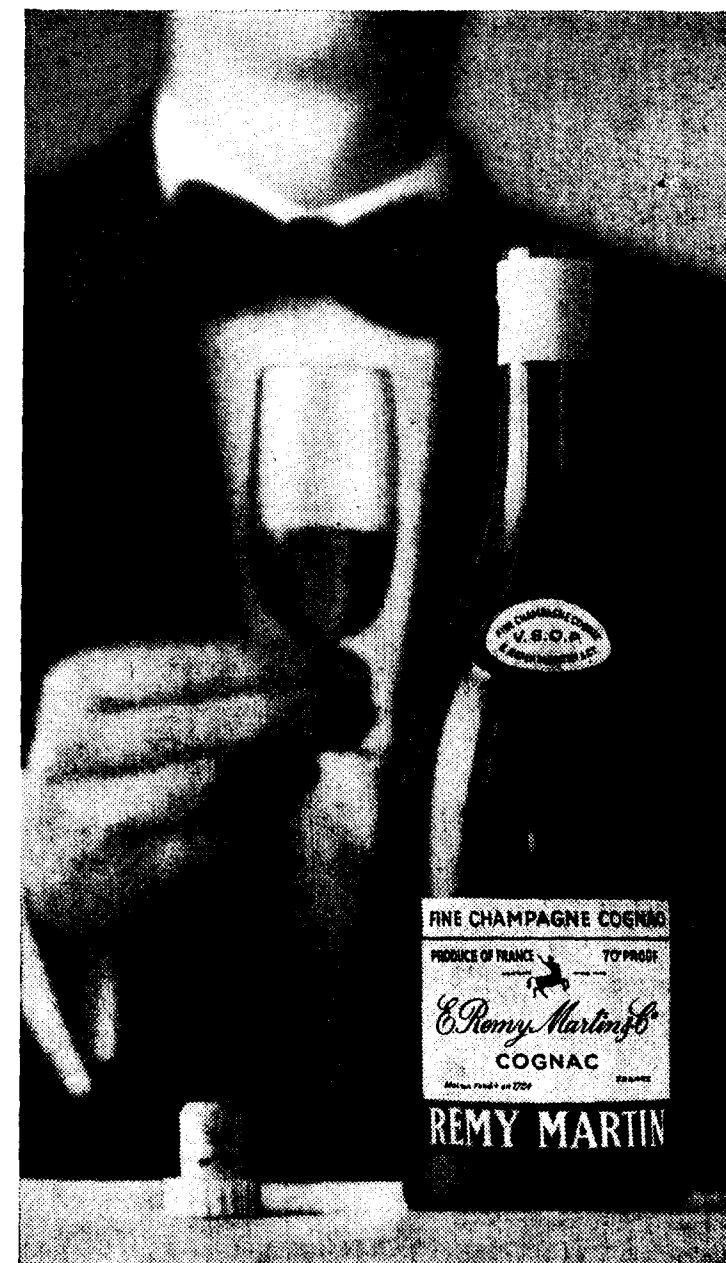
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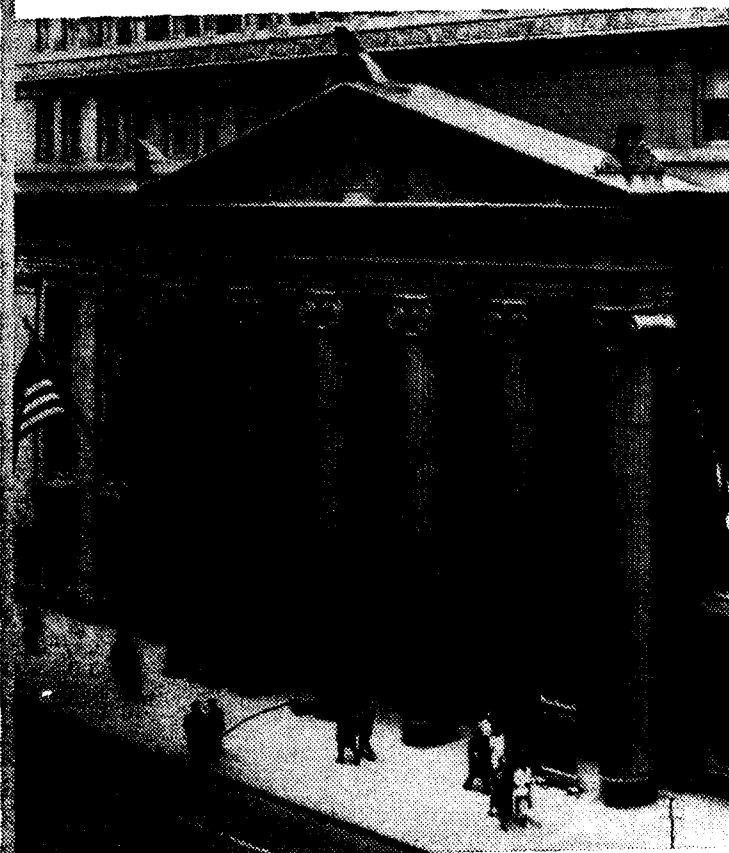
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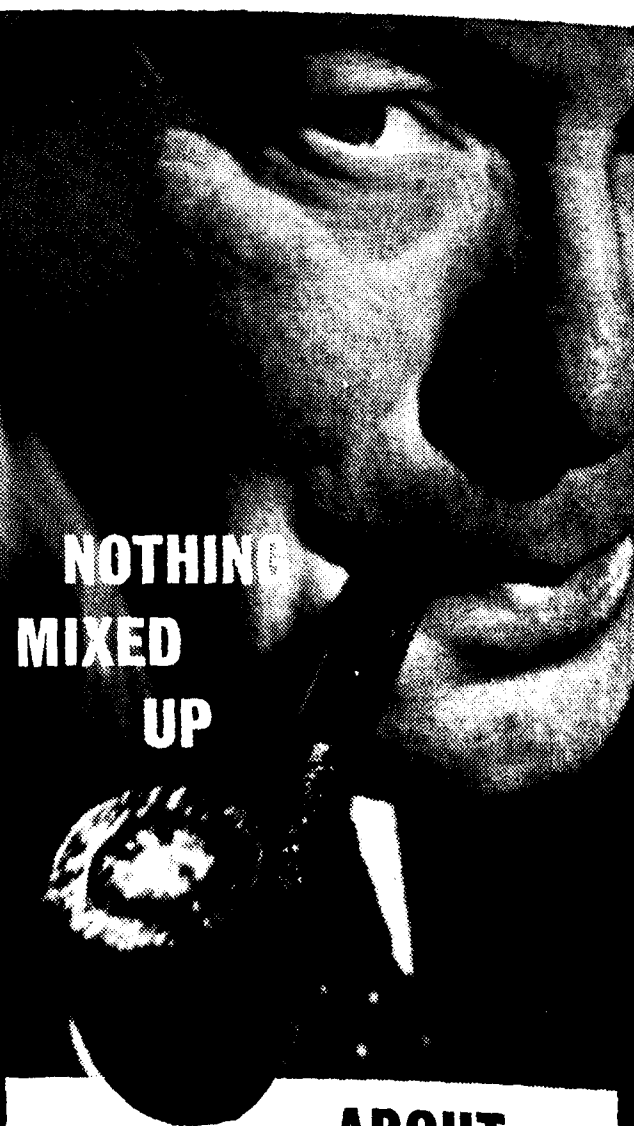


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as the John Birchers who, in consequence, will probably support a third candidate, the Republican leader in the State Assembly, Mr Shell.

This move away from the right is essential if Mr Nixon, assuming he wins the Republican nomination, is to defeat Governor Brown in next November's election. There are a million more Democrats than Republicans in the state and, although Mr Brown's administration can be (and is) criticised, he is not an unattractive candidate. It is true that Mr Nixon carried California as a presidential candidate in 1960, but only by a hair's breadth and thanks to the absentee vote; he had the advantage then of all the impetus of a national campaign. Now his opponents—both Republican and Democratic—are bearing down on his lack of experience or interest in state politics and his long absence from the state. Mr Miller, the Republican national chairman, did his candidate no good when he insisted this week that Mr Nixon would not be able to resist a presidential draft in 1964, whatever he says now. Californians do not like to think of their Governorship as a pawn in national politics.

Deadlock on the Columbia

FROM A CORRESPONDENT IN OREGON

THE states of the Pacific Northwest, which share with British Columbia the rich lands and resources of the Columbia River basin, are waiting anxiously to see whether the Canadian parliament will make its peace with the provincial government so that plans for the joint development of the Columbia by the United States and Canada can go ahead. After years of intermittent negotiation, a treaty for this purpose was signed last January by Mr Eisenhower (three days before he left the White House) and by Mr Diefenbaker, the Canadian prime minister. It provides for the construction of a series of huge storage dams, mainly in Canada, so as to increase substantially the output of the American power plants lower down the river. The treaty also settles the delicate question of how the resulting benefits (which will accrue on American soil) shall be apportioned: one-half of the additional power will be routed back across the border to Canada.

The United States Senate approved the treaty, but the Canadian team has worked itself into a deadlock. Ratification is being held up primarily by a disagreement between the government of Canada and the provincial government of British Columbia over the question of the export of electric power. The Social Credit government of British Columbia, headed by Mr Bennett, is interested in the Columbia River scheme only if it is allowed to export the province's large potential surplus of hydro-electricity to the United States. The Conservative regime in Ottawa, on the other hand, has so far maintained Canada's traditional stand against the sale of power to the United States on the grounds that there is little point in flooding large areas of Canada for the benefit of American consumers and that once power starts to flow south it will be lost to the Canadians forever. The prospect of huge surpluses of electricity in British Columbia would not be so serious had Mr Bennett not switched his main interest to the development of another river—the Peace River in the far North—which obligingly steers clear of American territory throughout its course. In August Mr Bennett expropriated the main privately owned power companies in the province and put his government in a position to develop more hydro-electricity from this one river than could be used by all western Canada in the next decade.

Looked at from south of the border, prospects for the great Columbia scheme look distinctly unpromising unless the Canadians can work out a compromise on the vital question of exports. Mr Bennett for one is clearly not without hope that he will be in a position to sell electricity to the United States; in past weeks he and members of his cabinet have visited California (which is always

hungry for more power) and have talked business with the Pacific Gas & Electric Company, the big private firm. Also, Mr Charles Luce, the head of the Bonneville Power Administration (and Mr Kennedy's chief spokesman on power in the Northwest), has offered BPA's services in "wheeling" electricity from British Columbia to California. What is much less certain is whether Congress would be prepared to sanction the building of the necessary transmission line. Nevertheless, there is little doubt in the states of the Northwest that some arrangement could be made for marketing British Columbia's surplus if Ottawa were to give the green light; if it does not the whole scheme seems likely to be put on the shelf.

Gags and Gaffes

ON October 5th Mr McNamara, the Secretary of Defence, issued a directive forbidding any of his military and civilian subordinates to participate in "public information programmes sponsored by non-governmental organisations and groups" unless such participation confined itself to matters within the competence of the department and did not involve the expression of partisan views or views conflicting with national policy. This move was a firm response to controversy arising out of the case of General Walker, who was disciplined earlier this year for talking out of turn politically, and out of a memorandum written in June by Senator Fulbright of Arkansas, the chairman of the Senate Foreign Relations Committee. Mr Fulbright said then that too many officers had overstepped the mark in their efforts to indoctrinate their troops in anti-communism. Two recent cases which have seemed to bear him out have been that of a seminar in San Antonio, Texas, of ineffable silliness but supported, for all that, by the Fourth Army; and that of two Air Force officers, disciplined for showing reservists a tendentious right-wing film during training hours meant for something else.

Rallying to their own, the right-wing extremists in the Senate, led by Senator Thurmond of South Carolina, have hailed General Walker as an injured martyr, and denounced the Defence Department for "muzzling" him and other good anti-communist officers. General Walker was removed from his command in Germany before the conclusion of an investigation into his conduct; and Mr McNamara may have acted too hastily in publishing the records of the investigation, contrary to Army practice. There seems to be a feeling in the army in Germany that the general did not have a square deal. Nevertheless, it remains true that the investigating officer found that he had made "inflammatory and derogatory statements" about such public figures as ex-President Truman and Mrs Eleanor Roosevelt and that he had tried to influence the way his soldiers voted in the 1960 elections by partisan propaganda.

Senator Thurmond succeeded in bringing the Secretary of Defence before the Senate Armed Services Committee for two days to answer questions, and on his urging its Preparedness subcommittee is to "study and appraise" (Mr Thurmond had wanted it to "investigate") the "muzzle" charges. But the chairmen of the committee and subcommittee, Senators Russell and Stennis, are unlikely to allow Mr McNamara to be harried unreasonably. And if Senator Thurmond hoped to use the inquiry to discredit Senator Fulbright, who may have trouble being re-elected next year in Arkansas, he may have overlooked the fact that General Walker commanded the federal troops at Little Rock during the 1957 civil rights disturbances, and did so none too tactfully.

Correction.—The first Negro to be made a federal judge with life tenure was appointed not by Mr Kennedy as *The Economist* stated incorrectly last week but by Mr Truman. He is Judge Hastie, who sits on the Circuit Court of Appeals with headquarters in Philadelphia.



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THE WORLD OVERSEAS

Dr Nkrumah's Political Kingdom

FROM A SPECIAL CORRESPONDENT IN ACCRA

OUTSIDE the Ghana Parliament House is a statue of Kwame Nkrumah entitled "The Founder of the Nation" and inscribed with selected examples of the great man's wisdom, among them the exhortation to "seek ye first the political kingdom and all other things shall be added unto it." As members entered the chamber on Tuesday afternoon for Parliament's formal reopening, some of them—to judge from their unnaturally glum faces—were wondering what sort of political kingdom they had found and whether the things that were being added to it were worth having.

Four of their number had been arrested a week before on charges of conspiracy and subversion along with 46 other people, among them the widely respected Mr J. B. Danquah, whom some of the members would prefer to regard as the true founder of their nation. Mr K. A. Gbedemah, the popular minister of finance and one of Dr Nkrumah's oldest friends, had just been dismissed from the cabinet in a reshuffle that gave greatly increased power to the left wing of the ruling Convention People's Party, which is personified by the new ministers of information and of the interior, Messrs Tawia Adamafio and Kwaku Boateng. A threat of arrest was known to hang over Mr Gbedemah's head. And before the house for the first week of business in the new session were three government bills of alarming significance—one to justify the installation of a government censor in the office of *The Ashanti Pioneer*, an old-established opposition newspaper, one to institute heavy penalties for bringing the president into "hatred, ridicule or contempt" and one to permit the creation of special courts at the president's recommendation for the summary trial of persons accused of crimes against the state.

When these bills are ratified, as they surely will be by the CPP machine, Dr Nkrumah will have established full personal control

What has brought Ghana to this disappointing pass, and what effect has the last month's lurch towards the left and towards repression had upon the internal situation? To begin with, the pass is not necessarily as disappointing to Ghanaians as it is to the West in general and to Britain in particular. With the qualified exceptions of Nigeria, Sierra Leone and the remaining British possessions, there is scarcely a nation in Africa that is not either heading towards, or has already achieved, some more or less dictatorial form of government. Deplorable as this may seem, it is nevertheless a fact; and Ghanaians are unlikely to be disturbed for long over their country's tendency to follow the rest in abandoning some of the trappings—and most of the reality—of democracy. Yet those long faces at the opening of parliament were not without significance. Besides the plain fear that, if they did not behave themselves, Dr Nkrumah's displeasure might descend next upon them, the deputies reflected a widespread discontent in the country at Ghana's economic plight. This has resulted from a combination of extravagance and misfortune. The misfortune is that Ghana's balance of payments deficit this year will be even greater than the £26 million which was registered last year. Extravagance has resulted from Dr Nkrumah's taste for prestige and pan-African leadership and ostentatious non-alignment. The triumphal arches and reviewing stands in the new Black Star Square in Accra, for instance, one of several prestige building projects, are estimated to cost £750,000. Loans to Guinea and Mali this year amount to £10 million, and assistance to African nationalist movements elsewhere may have swallowed up another million or so. Increased defence expenditure involving the purchase of Russian arms has been incurred for reasons apparently unconnected with Ghana's strict defence needs. Eight four-engined Ilyushin airliners have been bought also from Russia at a cost of some £800,000 apiece, ostensibly to serve the growing pan-African network of Ghana Airways, although the airline's only economic route is that between London and Accra, which is already well taken care of.

Add to this misfortune and extravagance the routine share of mismanagement that every young nation suffers from, and you have most of the explanation of the fall in Ghana's foreign exchange reserves from over £200 million in 1957 to £90 million today. There, too, lies the explanation of the government's inability to meet its domestic debts—cocoa farmers in some areas, for instance, are receiving promissory notes instead of cheques for their sales to the cocoa marketing board—and for the austerity budget of July with its provisions for compulsory savings which set off the Takoradi strike last month.

The upshot is discomfort all round. While the new compulsory savings scheme reduces everybody's pay packet, the new import and purchase taxes designed to discourage consumption have forced up the cost of living by perhaps as much as 20 per cent. This is the root cause of the alienation in recent months of much of Dr Nkrumah's popular support. For the first time many members of his own party are disturbed by his policies, and many observers here suggest that if an election were to be held now the CPP would be lucky to win it. Dr Nkrumah, of course, has no intention of holding elections now, but this new sense of political insecurity is probably the reason for his latest steps towards dictatorship and



Old friend: Mr Gbedemah



New master: Dr Nkrumah

over his country and any lingering pretence that Ghana is still a democratic state in any recognisable western sense will have to be abandoned. Parliament may continue, criticism may still be heard, but already there is really no way left of changing the government of Ghana except by conspiracy or force. This is a one-party nation and Dr Nkrumah has shown that he intends to run a one-man band.

his growing reliance upon the left wing of his party, which he can trust to support him both in enforcing socialism at home and in pursuing positive neutralism and pan-Africanism abroad. These new steps have made him even less popular, as any one can discover in a few days of random observations and conversation—for Ghanaians, although showing a depressing tendency to glance over their shoulders, now will still talk occasionally in private.

But it is difficult now to see where the focus of an effective opposition can be found. Only the army remains, enigmatic, certainly a little troubled, but unlikely under its stolid new commander, Major-General Otu—and while it adjusts itself to the removal of the British officers—to make a bid for power. President Nkrumah has secured his political kingdom. What he wants to add to it from now on is not a matter in which his critics can hope to have any voice.

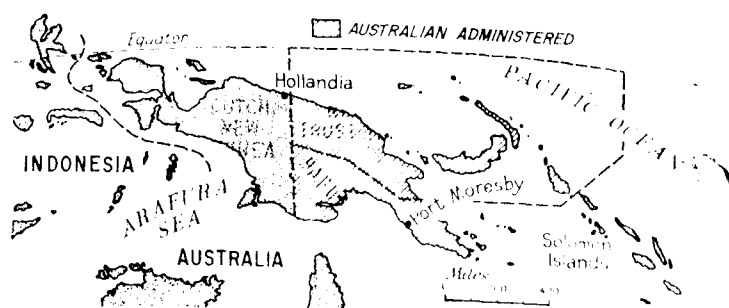
Gamble for a Small Colonial Power

FROM OUR CORRESPONDENT IN CANBERRA

AUSTRALIA'S interests are deeply involved in the Netherlands' proposal that the United Nations should assume executive charge of the Dutch colony of West New Guinea. Everything that happens in the western half of the island inevitably has its effect in the eastern half administered by Australia.

For Australia, as for the bigger colonial powers, the proposal has its embarrassing side. First, if the General Assembly of the United Nations passes, by the necessary two-thirds majority, a resolution to give effect to the proposal, there will undoubtedly be a demand that Australia's Papua and its trust territory of New Guinea should come under the same administrative arrangements. Secondly, at the very least, any target dates for political independence that a United Nations commission thought fit to recommend would be taken as properly applicable also to the Australian territories. This would violate a principle to which the Australian government clings steadfastly but with increasing difficulty—namely that it should plod steadily on with development in depth, setting targets (as it now concedes) for stages of educational and social progress, but refusing to commit itself to a date for political independence. Thirdly, once the Dutch proposal has been tossed into the arena of the United Nations, who can say how it will be mangled and mauled by amendments?

Nevertheless, as the Dutch foreign minister described it to the General Assembly on September 26th, the plan has features which should be somewhat reassuring to Australia. Dr Luns said that "since these proposals embody an entirely new concept in decolonisation," the General Assembly might first wish to have more information; and he suggested that it should send a commission to West New Guinea to make a complete and impartial report. This is an excellent suggestion. A commission that had observed the New Guinea Council, with its majority of native members, might well think that these men should determine their own future instead of being handed over to the Indonesians. But when the commission had seen for itself the poverty of the territory and the primitive tribesmen in the all but inaccessible hinterland, it might set a date for independence very different from the date that might be urged by delegates working from general principles in the anti-colonial atmosphere of the United Nations. The recommended date might even be further off than the mere ten years that the Dutch seemed to be dreaming of when they put into operation last year their ten-year plan for the development of the territory. To have that point of comparison removed would be quite a relief in Papua and New Guinea.

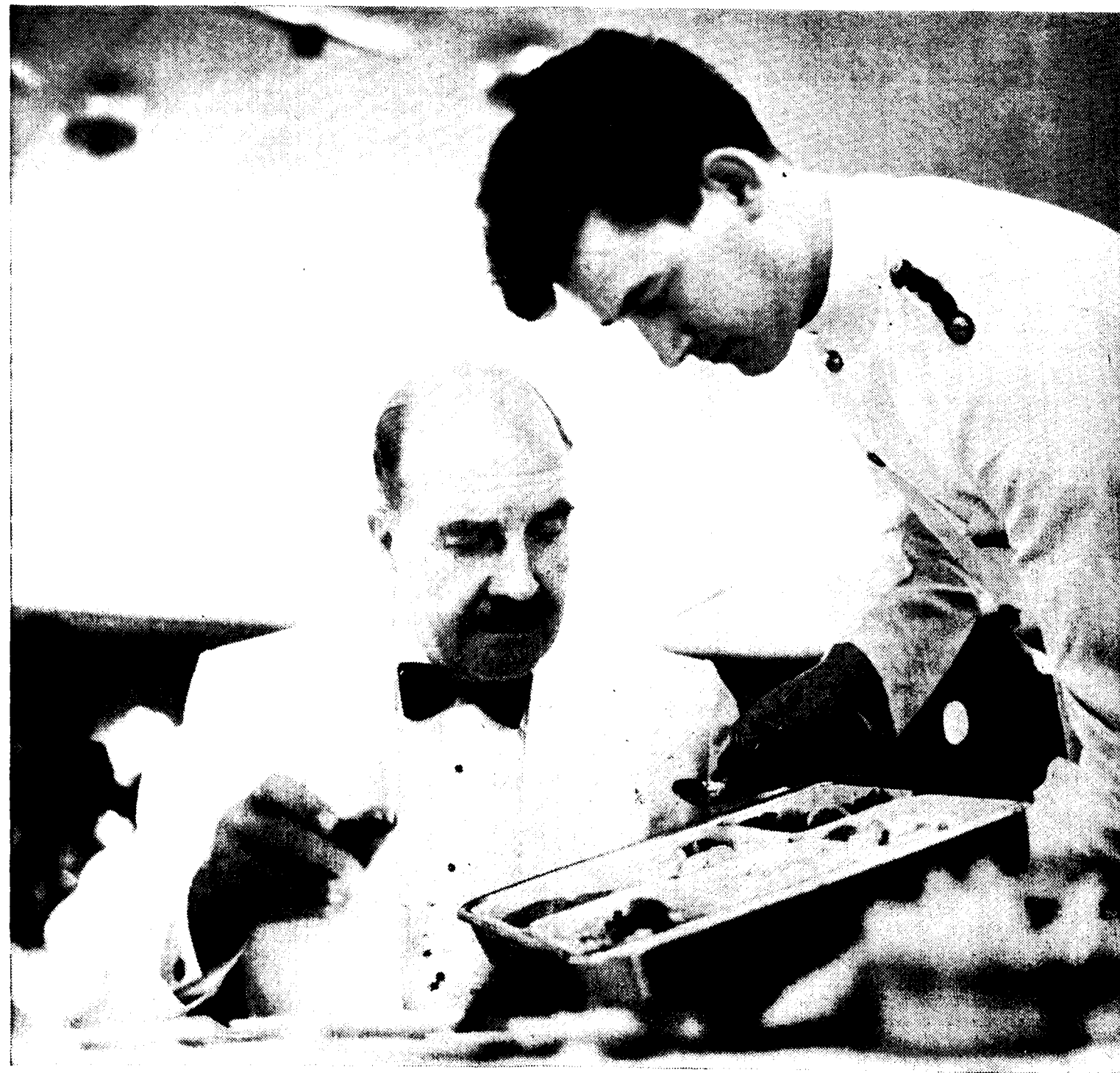


The Australian prime minister, Mr. Menzies, has therefore described the proposal as "very constructive," and the Australian ambassador to the United Nations, Mr. James Plimsoll, has welcomed it. The government, even if it had wished to do so, was in no position to complain. It has taken its stand on self-determination for the native peoples in both halves of the island, and it supports Dutch sovereignty over the western half meanwhile. But fearing to antagonise its neighbours the Indonesians, it has consistently refused to back up this theoretical support with any military guarantees. The Dutch are facing, with no promises of support from anyone, the likelihood of a military coup from an Indonesia already well-equipped with foreign arms and now expecting a big consignment from Russia. They must take what preventive action they can; and as such their plan is shrewd. If there is any substantial vote for it in the General Assembly, even if this does not amount to the two-thirds majority needed for action, it will become harder for Indonesia to try force, and more likely that, if it did so, the United Nations would call for a cease-fire.

The plan might thus spare the Australian government an agonising choice if the Indonesians should in fact resort to force: whether on the one hand to go to the help of the Dutch against a nation with which it particularly wants to be friendly; or on the other hand, to do nothing, thus allowing Indonesia to flout the assurances that it has more than once given Australia not to seek a solution by force. A United Nations administration of West New Guinea would be far better than either of these horrible possibilities.

Many Australians feel it would also be far better for Australia than the course advocated, to their regret, in *The Economist* of May 6, 1961 ("Perilous Half Island," page 526), namely that the Dutch should give the place away to the Indonesians. Two years ago the Menzies government declared that if, without duress, the Dutch and Indonesians agreed to a transfer of sovereignty, it would recognise the transfer. But if the transfer were made now, after the huge build-up of Indonesian arms, how could it be said that there was no duress? In this way, the Soviet arms would have done their work without even having to be used. They would not even have arrived. The Australian territories then would have exchanged the peaceful and co-operative Dutch for a neighbour who had learned that it pays to be belligerent. And after all the fine speeches that have been made about self-determination for the peoples of New Guinea, those in the western half would have been handed over like cattle, just as a few of them are learning how to govern.

The Dutch proposal may help to ensure that those few can be left to continue their work in peace. If they are given time they will shortly become experienced enough and articulate enough to convince other Asians and Africans that self-determination is not by definition self-determination against the white man. The crucial question is, does the Dutch proposal buy time? It is certainly a gamble. A heavy Dutch defeat might encourage Indonesian belligerence; and the prospect of growing support for the Indonesians might precipitate aggression instead of deterring it. As far as one can see at this stage, however, the gamble is not altogether unattractive for Australia.



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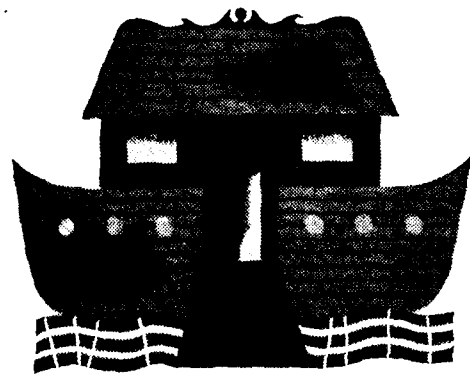
If you've eaten in a P & O - Orient dining room you'll know how he's feeling. How can a man make snap decisions when each dish looks (and tastes) more delicious than the last? How can he bark out an order when the stewards are so smilingly courteous, so obviously willing to wait till he's satisfied?

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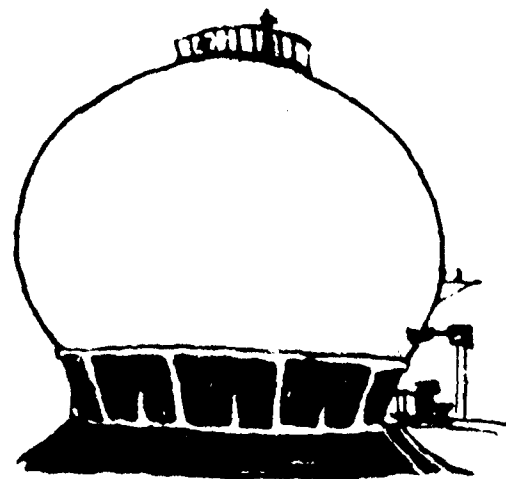
What can be done about it? Every individual queueing problem has its own peculiarities, which makes it impossible to lay down hard and fast rules. But mathematicians have evolved a fairly extensive Queueing Theory which provides a framework for the solution of simpler cases: more complicated queueing and bottleneck problems can be solved economically only by using high-speed electronic computers—by digital methods or by various forms of analog. To all such techniques C-E-I-R can bring to bear great skill and experience.

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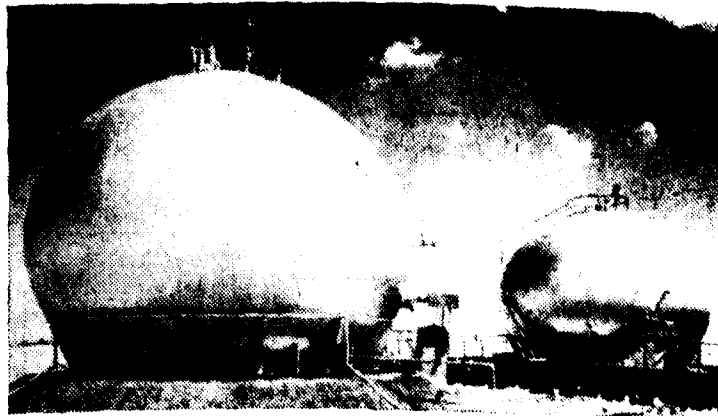
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New Patterns in Syria

FROM OUR MIDDLE EAST CORRESPONDENT

"It is our fault." In these words a distinguished Arab scholar and supporter of President Nasser summed up his shocked reaction to the dissolution of the United Arab Republic. It is necessary to have lived some time in the Arab world to appreciate the significance of such an admission. Ever since the break-up of the Ottoman Empire after the first world war it has been fatally easy for Arabs to blame all their misfortunes on outside influences—British, French, Jewish, or "imperialism" at large. The failure of the union between Egypt and Syria must bring with it the growing realisation that while Britain and France bear a continuing responsibility for the mess in which the Middle East still finds itself, this is far from being the whole story. The Arabs themselves could have done more to mitigate the ill-effects of the political settlements that were imposed on them.

It is clear, and now generally admitted, that the Syrian revolution was a purely internal movement free from outside influences, except perhaps for the moral support of King Hussein. This in fact was a typically Syrian coup, with a handful of officers playing their traditional part as breakers and makers of governments. The reserve with which the British and Americans originally treated the new regime in Damascus caused some astonishment in Beirut, where it was remarked that two years ago Syria's secession would



Dr. Kuzbari: call for unity

have been welcomed by the West as an exercise in cutting Nasser down to size. But the feeling among western officials today is that while, largely owing to President Nasser's moderation, the revolution has gone through remarkably smoothly, a weak independent Syria is bound to be a source of future instability. No comprehensive policy statement has yet been issued from Damascus. In matters of detail it is possible to detect a clash of opinion between the civilian government and the officers who engineered the revolt. Although new army leaders have declared their unequivocal support for the government, they still retain the responsibility for safeguarding the revolution; and their views must, to say the least, be taken into account. With the exception of Colonel Serraj, who is now tasting some of his own medicine, all the outstanding figures on the Syrian political scene have now declared their support for the new regime. They range from the People's party on the right to the Communists on the left. The latest to fall into line is Mr Kuwatly, who as president of Syria announced the union with Egypt nearly four years ago, and by standing down then in favour of President Nasser acquired the honorific title of "first citizen of the republic."

The main political question now agitating Syria is the resumption of party activity. With the dissolution of the National Union last week, all parties are now banned. The contradictory reports from Damascus on this subject arise from the government's difficulty in making up its mind when, or if, party politics can again be safely permitted. On Wednesday, Dr Kuzbari called for a "unified national front" until after the elections. Despite this, the former party leaders are already busily doing their homework. Out of the inter-party consultations, two possible coalitions are beginning to emerge. On one side, the People's party is lining up with a right-wing faction of the National party. This group is composed of politicians who, though they always disapproved of the union with Egypt, did nothing active to oppose it. On the other side there

is the possibility of a coalition consisting of the left-wing of the National party, led by Mr Sabri Assali, the last prime minister of independent Syria, the Ba'ath Socialists, under Mr Akram Hourani, a leading theorist of Arab nationalism, and an independent group led by Mr Khaled el Azm, the former minister of defence, who negotiated the Soviet loans in 1957.

All the indications from Damascus are that the new regime intends to liberalise the economy with a view to Syria resuming its traditional place in world trade. The only lasting remnant from the time of union may be the land reform programme, and even that may be significantly modified. In Lebanon future prospects are considered bright and the Syrian pound has jumped up in the Beirut money market. During Syria's union with Egypt it sank to the equivalent of 66 Lebanese piastres; within a fortnight it has risen to more than 81 piastres. Although speculation has played its part, the increase also reflects a genuine belief in Syria's economic future.

Tamil's Dilemma

FROM OUR CORRESPONDENT IN COLOMBO

THOUGH the release of the Federal party's leaders last week was received well by responsible opinion in Ceylon as a necessary prelude to the settlement of the language problem, the action itself has in no way altered the political situation. Indeed, it has placed the Tamil leaders in an embarrassing predicament. Mobbed and garlanded in Jaffna, the island's northern capital, and in other Tamil areas, these political detainees who had been incarcerated for organising a Tamil *satyagraha* campaign against the government's language policy, now face a serious dilemma. They must either defy the emergency regulations or acquiesce in the present state of things.

The first course may provoke stern reprisals. In any case, it is doubtful whether the traditionally docile Tamil would respond to any adventurist slogans with the necessary militancy. But passivity on the part of the leaders could induce in the average Tamil a fatal sense of resignation. For a party whose *raison d'être* is a federal state for Tamils (and during the demonstrations in March there was even a clamour for a separate state) any failure to keep feelings alive and the movement intact would be to court the danger of the Tamil minority seeking fresh solutions to their problems. It looks as if the Federal leaders have been compelled to give up the assured comfort of martyrdom in exchange for the perplexities of an uncertain future.

Any new signs of rebelliousness on their part will no doubt provide the government with an opportunity to show that it is the Federal party, not the government, that is being unreasonable. Fresh trouble would also justify a continuation of emergency rule. But the government's reasons for prolonging the emergency have already been challenged by all the opposition parties, including the Freedom party's electoral allies of the Left. Indeed, it was the Trotskyist Sama Samaja party which three weeks ago moved a resolution in parliament demanding the immediate withdrawal of the emergency regulations. It is possible that this debate, in which, for the first time since July last year, the government had to face a combined opposition barrage, influenced the cabinet decisions to withdraw some of the more stringent emergency regulations and to release the Federal leaders. Justifiable or not, emergency rule is no solution for the problem of the Tamil minority. Confident that it retains the support of the Sinhala rural population, the government can choose to live and let live with a permanently embittered minority, or it can explore ways of settling

the language issue. Even if it appreciates the wisdom of the second alternative, the government will tread warily. Its main opponent is the United National party, which conducted a virulent communal campaign during the general elections last year. Its chief charge against the Freedom party was that it had a secret understanding with the Federal party in order to win marginal Tamil votes in Sinhala areas. Any attempt now by the government to negotiate with the Tamil leaders, even to adjust genuine grievances over their language rights, can of course be exploited by the United National party, which is openly boasting today that the government will collapse in six months' time. The government is therefore unlikely to surrender the initiative on this issue to an enemy which is already on the offensive on the economic front and to a party which bared an ugly racist tooth at the last elections. Thus negotiations with the Tamil leaders in the near future are unlikely.

The Freedom party's extreme sensitivity to this question was revealed in its ambivalent handling of the Rajaratna affair. Mr Rajaratna, a young Sinhala firebrand, was sentenced by the supreme court to one and a half years in jail for offences committed during

the communal disturbances of 1958. He began to fast, on the grounds that he had been unjustly tried. His supporters canvassed for a free pardon from the governor-general. The government placed him under house arrest after the incident had provoked a demonstration by students and Buddhist monks. Finally, Mr Rajaratna was committed to prison to begin serving his sentence. This meant, under Ceylon election law, that he would not only lose his parliamentary seat but be disqualified for seven years. Then the governor-general, exercising his prerogative, reduced the sentence to two months. The reduction means that Mr Rajaratna can contest a by-election. He has placed his deposit as a candidate already. Nevertheless, it is doubtful whether the government will hold this election next month; under the emergency law, elections may be postponed.

The government has, however, other worries beside the language question. The opposition leader and other opposition parties claim that the emergency is being prolonged in order to contain the general dissatisfaction over the rising cost of living, food shortages and the new tax burdens of the August budget. Government circles believe the discontent has been grossly exaggerated. What-



Aie frogs!

FROM A CORRESPONDENT



The *Rana esculenta* is a rare frog being handled and may refuse to feed.

DOUBTLESS a marginal barrier to Britain's entry into the common market is the leg of the French frog. "Frog's legs" epitomises British distrust of Frenchmen, and, by extension, of foreigners in general; they not even reinforce, they are used to justify, his insularity. In the last ten years or so garlic has become not only accepted, but in some circles worshipped in Britain. You can buy snails nowadays in tins in most English towns. But frog's legs are still out. In the interests of closer European association this attitude requires careful re-examination.

Like most prejudices, aversion to frog's legs is built on a number of false premises. To start with, they aren't legs. They are thighs. 'Cuisses de grenouille' they are called in French. Nobody ever eats any other part of the frog, and people who know what's what in France only eat them if they come from a particular species of frog of a particular age and a particular size. The taste only appeals to persons 'd'un tempérament délicat.' In fact few people in France eat frog at all. Country people never eat them under any circumstances, and even in the towns, they say, the best customers are the hotels where the English and the Americans and the Germans go.

In Les Halles in Paris frogs' thighs are sold in a special section of the market. They are always sold by the dozen, and they come in two grades. One is called

'grenouille de parc,' and the other 'grenouille de pêche.' The first cost two or three times more than the second, and one might think from this, and the names, that the ones are cultivated and the others wild. Even this premise is false. All that the distinction means in practice is that the 'grenouilles de parc' are large specimens of the green aquatic frog (*rana esculenta*), and the others are either smaller-sized frogs of this ilk, or frogs of any size belonging to the three or four other edible varieties like *rana temporaria*, or *rana agilis*.

In fact frogs are not cultivated now in France at all. One authority on the subject, writing before the 1914-18 war, when France was really French, heard tell of a frog-farm of one hectare where the owner made a profit of 5,000 (pre-1914) francs a year. "But," he adds, "nous avons l'incrédulité de Saint Thomas." Nowadays all the green frogs eaten in France are fished for from streams and canals and ponds with nets, the mesh being regulated by law; with lamps; or with a rod and line and a piece of red cloth as bait.

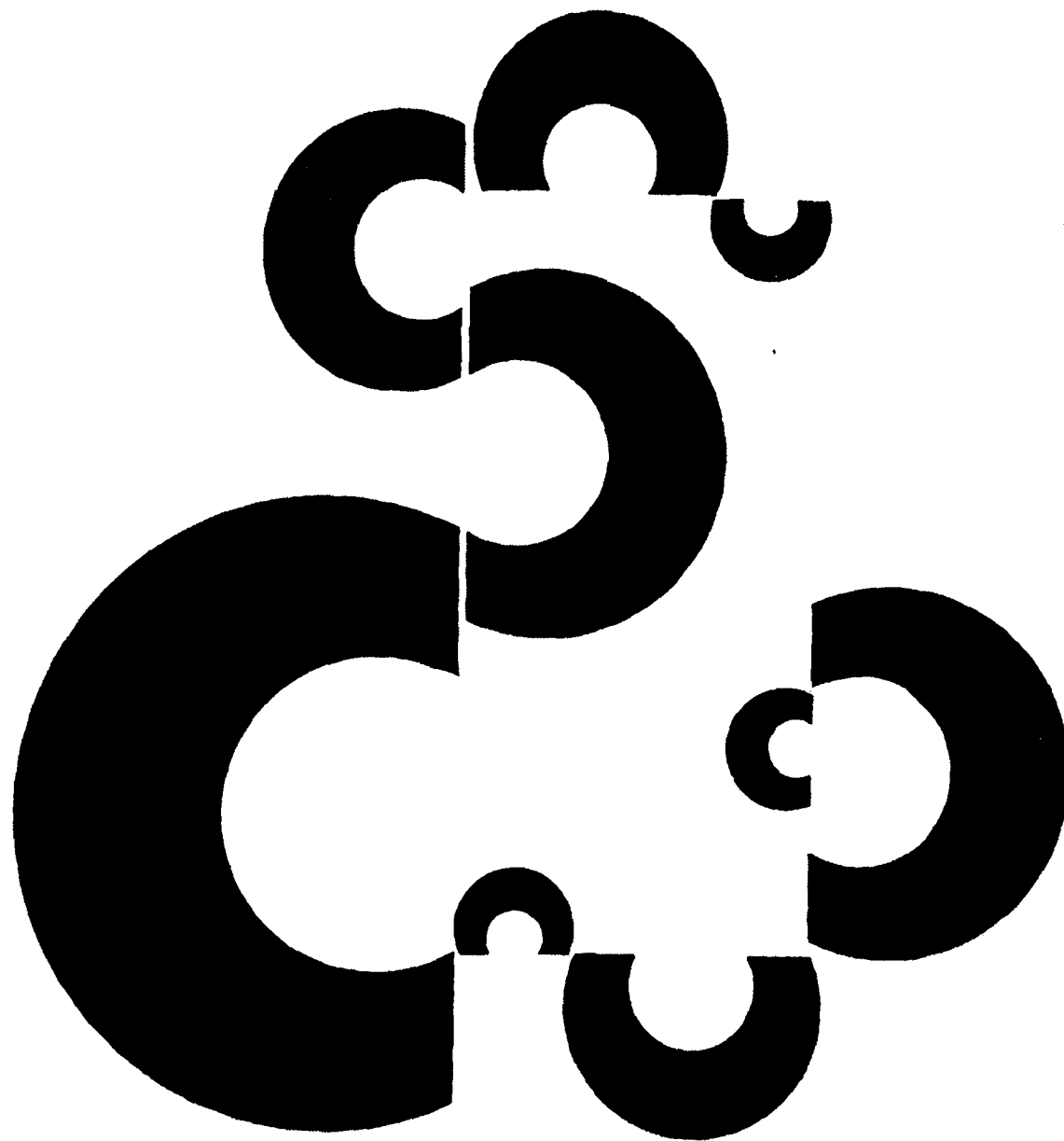
Frogs are normally caught in the summer or the autumn. During the winter frogs, like snails, go into strict hibernation, and in the spring they are still thin and tasteless from the solitary, celibate months. In the spring too they mate, for up to a fortnight on end, and their capture during this period is re-

garded as unsporting; in some areas it is even illegal. The best years of a frog, from the gourmet's point of view, are from four to six.

The best edible frogs in France come from La Vendée, and the best frogs in La Vendée, according to those esoteric experts Thévenot and Lesourd, come from the artificial canals and lakes which are used round St Hilaire de Vieux for the rearing of Rouen ducks. Inferior qualities of edible frogs come mostly from the north and north-east of France between the Pas de Calais and the Marne.

Even in France frogs are only eaten by specialists. About 20,000 kilos of frogs are sold in the highly centralised Paris markets a year. At an average first quality thigh weight of 20 grammes a frog this means no more than a million frogs, or less than one frog to every forty-five Frenchmen a year. This seems a flimsy basis on which to build a national prejudice.

In anticipation of the future, some French firms are already exporting frogs' thighs in tins. To encourage sales in Britain part of the labels are printed in English with the information that the calorific value of frogs is 55.27 per 100 grammes. The name of the product, however, on both sides of the tin is wisely left as 'Cuisses de Grenouille.' The price, for a 7½ oz. tin, is around 13s. 6d. It looks as if, for some time at least, only a few of us are likely to be corrupted.



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ever the attitude of the middle classes and urban population, the government hopes that the rural masses from whom the Freedom party draws its real strength have not been affected seriously by the new measures. But any test of public opinion is difficult under emergency conditions. Trade unions both in the public and the private sector have voiced strong protests against the budget. The salaries commission appointed by the late Mr Bandaranaike in 1958 recently issued a report recommending salary increases to many public servants. Now the finance minister tells the public servant that these proposals cannot be implemented in the present financial crisis. Public servants, on the other hand, face a four per cent deduction from their salaries at the end of the current month as a national development tax. The unions have called it a euphemism for a salary cut. Trade union pressure and the progressive disenchantment of the hard core intellectuals in the Trotskyist Sama Samaja party have led to a loosening of bonds between that party and the government. While the small but very articulate Communist party is content to jog along with the government, the much bigger Trotskyist party, the other member of the electoral troika, has become increasingly restive. This is the first major political development in Ceylon since the last elections. Memories of the rout of March last year, when Sama Samajists made a bold bid for power, and fear of a revival of the right-wing United National party, keep the Trotskyists within the fold, but relations are getting strained. If events, and the present right-wing tactics of pushing the extreme left into open opposition to the government, result in a severance of ties between the Trotskyists and the Freedom party, then the government may face trouble on a new front—the labour front.

South African Progressives Between Two Fires

FROM A CORRESPONDENT IN SOUTH AFRICA

ALTHOUGH the non-white majority in South Africa will not vote, they will dominate the elections on October 18th. Everyone agrees that the elections are being fought over whether and how political power should be shared with them. Dr Verwoerd, speaking in the intellectual home of Afrikaner nationalism, Stellenbosch, on October 4th, claimed that only his policy of separate development, which is supposed to give the non-whites political rights in their own "streams," could at least ensure that a bit of South Africa would remain exclusively white. Sir de Villiers Graaff, leader of the United party, the "traditional" opposition since the Nationalists came to power in 1948, believes that this fragmentation spells the doom of the white man. The United party holds that its racial federation plan—which in many respects is a vague reaction to Bantustan (separate development)—is the only one which extends, and at the same time places a ceiling on, non-white rights in accordance with its "white leadership with justice" policy. Finally, the liberal Progressives, who broke from the United party two years ago when it took an unashamed swing to the right, foresees, in the words of Dr Zac de Beer, "a dreadful racial clash that might result in black domination of the worst type" unless the Progressive plan for equal rights for all civilised and responsible people is adopted.

There is no doubt that Dr Verwoerd will win the election. The real interest lies in what success the Progressives will have. The Nationalists have made it clear that in calling elections eighteen months before the statutory time for them their object is to eliminate the Progressives from Parliament, where they had twelve

members, all originally elected as United party candidates. This would make the republic safe for *apartheid*, by restoring white politics to its familiar conservative setting. Mr B. J. Vorster, the new "strong man" minister of justice (he was interned by the Smuts government during the war), has by implication allocated the task of wiping out the Progressives to the United party. Observers deduce from this strategy that the Nationalists regard the Progressive party as a greater threat, or potential threat, than the United party.

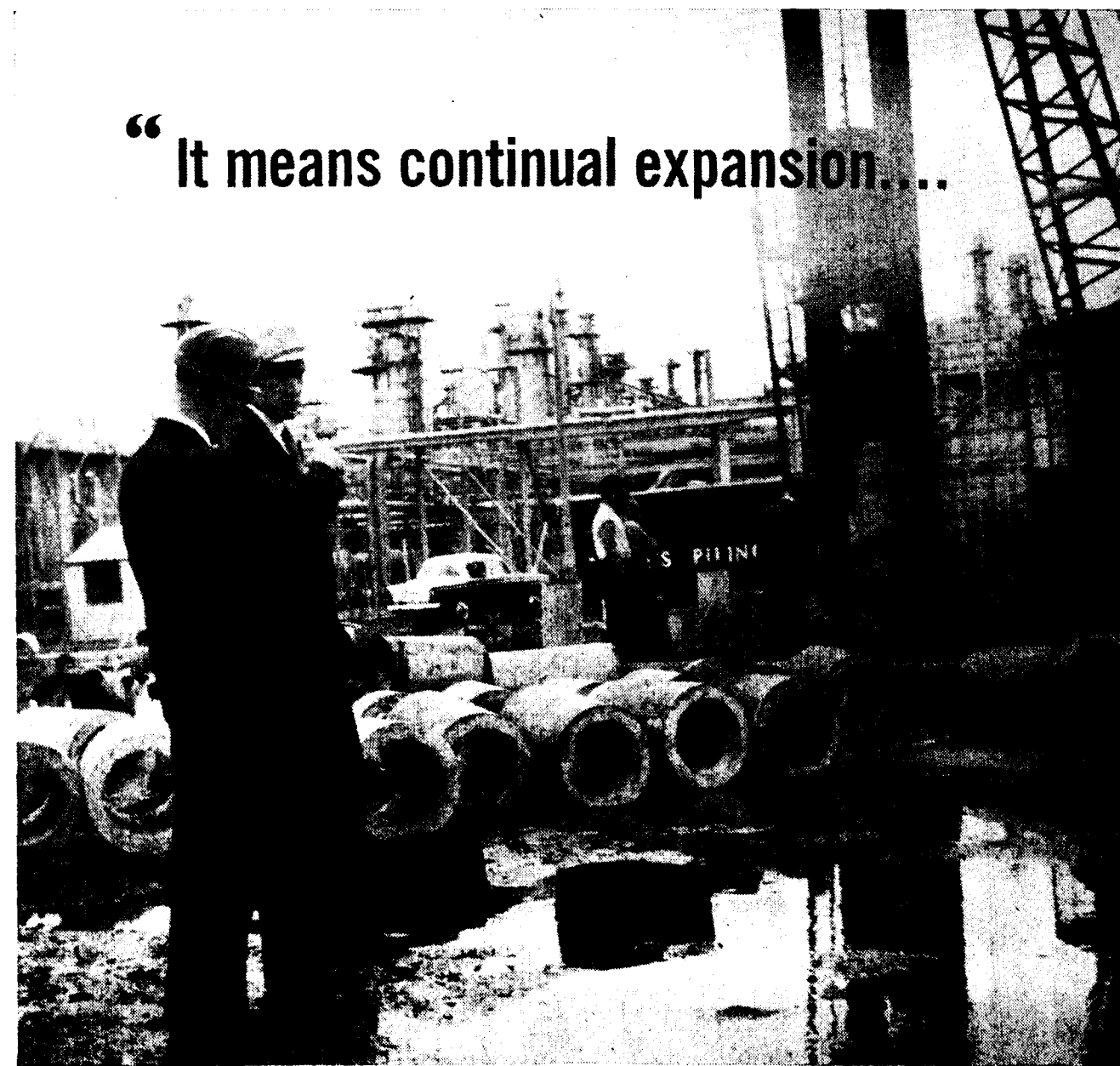
The United party is directing most of its energies to fighting the Progressives. It is using the most blatant "black menace" propaganda to suggest that if English-speaking South Africans support the Progressives their daughters will marry—even swim with—"natives." This spectacle amuses the Nationalists very much: to see the English section of the country engaged in a bitter and personal feud is a rare phenomenon in South African politics. It will be a tragedy if the Progressives do not win a seat, but even the most optimistic of their officials predict that they can win no more than three of the 24 seats they are contesting.

The non-whites, generally, are taking little interest in the campaign. But there are signs that the African political movements, which have been forced underground since the Sharpeville shootings by bans on the African National Congress and the Pan-African Congress, are planning further demonstrations during the next few months.

EVENTS in the outside world, and in Africa in particular, have again influenced the elections. At the time of the referendum which gave Dr Verwoerd so slender a mandate for his republic a year ago, the single shouted word, "Lumumba" probably did more than any other slogan to secure the Nationalist victory. In this election the Nationalists have included another Congo allusion—"Tshombe"; not Tshombe the despot or obstructionist, but Tshombe the hero, whose state was the only "stable" one in black Africa before the United Nations hordes descended.

Dr Verwoerd is particularly worried about the United Nations, which has been attacked with incredible vigour by the Nationalist press. He knows well that the UN action in Katanga could be a portent of "police" action in South West Africa. On October 6th Mr Eric Louw, the foreign minister, reported to the nation on the position as seen from the United Nations, where he is South Africa's chief representative. He said that in the UN an attack was being made by the Afro-Asian world on the "white man" in South Africa. Mr Louw has found that opinion in the world organisation is hardening to a point where mere resolutions condemning *apartheid* may not suffice. The newly elected president of the General Assembly, Mr Mongi Slim, annoyed Mr Louw at the beginning of the session by saying that peace continued to be seriously threatened as long as the hideous spectacle of racism was not banished forever. The people of South Africa would have to give full rights to the non-whites, he said. All this suggests strongly that South Africa may soon be forced to leave the United Nations; Mr Louw has already hinted as much.

Meanwhile, South Africa proceeds steadily on course towards a garrison state. Unemployment among whites as well as non-whites is increasing; the defence minister, Mr J. J. Fouché, speaks as though a war with the "communist" world (and this includes the African and Asian states) is about to break out. The republic has been suspended from the Federation of International Football Associations as a result of discrimination in soccer. The Nationalists are clamping down on Afrikaner intellectuals and clergymen who find *apartheid* an inhuman doctrine. A Pretoria University theologian, Professor A. S. Geyser, has been charged with heresy by some of his students, and the "moderates" have been removed from the executive of the Afrikaans Bureau of Racial Affairs.



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WHILE the cult of the equity prevailed, it was too easy to forget that investment is a venture into the unknown. One could "buy the index" and cover up the mistakes with the splendid successes. Now the whole index is behaving in a troubled way, and looking by no means confident about the so-called resistance points of 350 for *The Economist* indicator and 300 for the *Financial Times* index. In this groping mood equity prices last week touched the year's lowest levels and the subsequent rally was so lacking in thrust that prices fell to new lows by the middle of this week.

Other markets, on the Continent and on Wall Street, have been more affected than London by the shadow of the Berlin crisis. While every increase in defence spending has given another boost to the American economy each darkening of the shadow has brought prices down. Now, with common stocks below their peak and with the dollar again coming under pressure, Wall Street is less confident than it was of a continued market boom. Wall Street's concern, and the uncertainties of international politics themselves, afford no firm base for confidence in London. British domestic politics have so far had less effect but, in this season of conferences, Throgmorton Street has begun to recognise that a Tory administration might not be returned to office at the next election and to take notice of the twitchings of the opinion polls.

But the economic uncertainties are more perplexing than the political ones. One major question that will govern the stock market in coming months is whether Britain succeeds in negotiating entry into the common market and on what terms. If it happens, British industry will have wider opportunities and the stimulus that the British economy cries out for will be applied, but the pressure of competition will be intensified too. If the negotiations fail, Britain will be even more distant economically from the Continent and will face a formidable challenge in third markets. Neither prospect can please the investor holding shares in a comfortable but second-rate company. Nearer home, the Chancellor has taken pains to emphasise that the squeeze is still on, though the almost certainly premature reduction in Bank rate may foster the dangerous illusion that Britain is already on the mend. The effect of the Chancellor's policy has been to tighten the rein on those sectors of the economy—the motor and consumer durable

industries are examples—that were not stretched out fully. It may well be that the economy is behaving no worse than had been expected and that some growth in industrial production and a swing to a more favourable balance of payments are in prospect. But that leaves two questions unanswered. Can Britain secure the needed rise in exports, which the Bank of England puts as high as 10 per cent? And will the Government's policies succeed in keeping prices and costs down? The test will come in this winter's wage disputes. The worst possible combination for a company that has been working close to capacity would be a strike, disrupting its output and pushing overhead costs up, followed by a wages settlement that further squeezed its profit margins.

How far can investors translate these doubts and uncertainties into estimates about profits and dividends? Profits reported so far this year have been patchy. The latest analysis, which is set out in detail on pages 182 and 183, relates to 546 companies reporting in the July-September quarter, whose accounts were drawn up mainly to March 31st or later. Combined trading profits of these companies have risen by £29 million to £431½ million—a rise of 7½ per cent, which is slightly bigger than that reported in the second quarter but less than half of the increases recorded in the four preceding quarters. Among the leading groups, the more-than-average increases reported by breweries and distilleries, food, shops and stores and building have been partly offset by less-than-average increases in engineering and miscellaneous manufacture. And, almost without exception, these industries are earning a lower return on the capital they employ. Net equity earnings have fallen a little, but slightly more was paid out in dividends. Hence, quite apart from the Chancellor's request for a dividend freeze, there would be little room for further increases in dividends.

Profits reported in the coming months are likely to remain patchy. Companies working close to normal capacity—for example, in food, brewing, building supplies and some sectors of the engineering industry—may earn higher profits. Companies working below capacity—for example, in the motor and consumer durable industries—are likely to find the burden of overhead costs dragging their profits down. There are also signs—ICI's interim report provided one—that the effects of a reduction in production on profit margins are spreading outside the industries

HOW YIELDS HAVE CHANGED

	Mid-Dec.	Mid-May	Mid-Oct.
	%	%	%
APC	3.2	2.3	3.5
Beecham	3.2	2.6	3.1
Boots	2.0	1.8	2.0
Distillers	3.6	2.9	4.1
GUS 'A'	4.0	3.1	3.9
Guest Keen	3.8	2.9	3.9
ICI	3.3	3.3	4.7
Marks & Spencer	2.1	2.0	2.2
M&S Box	3.3	2.3	2.9
Unilever	3.0	3.0	3.3
British Ropes	5.0	4.0	6.0
Geo. Cohen	5.2	4.3	6.3
Murex	6.0	4.6	6.5
Revertex	5.5	4.0	4.7
Renold Chains	5.7	4.2	4.8
Stone-Platt	5.5	4.7	6.4
Sunday Pictorial	6.1	5.7	6.2
Venesta	5.6	4.9	6.0
Allen West	5.4	5.2	6.3
Wiggins Teape	4.9	4.1	5.0

immediately concerned. A rise in production and productivity in the coming months could lead to slightly better margins in the future, but that is not the posture of British industry at this moment.

All this gives point to the evident reluctance of investors to reverse their go-slow policies. In recent months they have not sold equities heavily, but they have not bought them eagerly either. Should they not turn instead more willingly to the gilt-edged market? This market has more friends than it had and if the authorities really believe, as some of their recent actions and words might suggest, that 7 or even 6½ per cent is a crisis rate and should be reduced to a more "normal" level (5 per cent?) as soon as it seems safe to do so, the gilt-edged market could gain many more. But there are two big snags here. First, the credit squeeze is putting as much immediate pressure on fixed interest stocks through new issues, such as that announced by the LCC this week, as it is upon equities through rights issues. Secondly, doubts whether the Chancellor's dose will cure Britain's economic troubles have even more relevance to gilt-edged stocks than they have to equities. There is at least enough uncertainty on this point to restrain private investors from leaping into the gilt-edged market. If another exchange crisis occurred, gilt-edged stocks would suffer a whirlwind.

THE lack of a copper-bottomed alternative for investible funds partly explains why another dramatic fall in equity prices seems improbable. At current levels, it is fair to say, equity values have caught up with postwar price levels; and it would not be reckless to buy equities at to-day's prices for the long term. In the 1950s the value of equities was underpinned by institutional buying. Now the character of the buying has changed with the life offices rather less eager and certainly more discriminating than they were in adding to their equity holdings. At the moment, certainly, the returns on fixed interest securities are acceptable to the insurance offices and their further commitments in equities are fully assured by the shares that come on offer in new issues. In the future, therefore, institutional buying of ordinary stocks in the market may depend more upon the further growth of pensions funds and less on orders from the life offices. Buying from such sources is unlikely to be dramatic in its effect; but it does give a foundation for the industrial market.

The course of prices over coming months will rest more than usually in the hands of private investors. Of these, not the least important are trustees with their newly-won freedom to invest in equities. But they are asking whether, given present uncertainties, they should continue to hold their hand or whether they might start to buy in the winter in the expectation of some economic recovery and an easing of the squeeze in the spring. One might venture the prognosis that if things go badly in the short run prices would continue around present levels rather than collapse; on more optimistic assumptions, prices could rise; certainly to-day's dividend yield of 5½ per cent on leading equities is more in tune with economic facts than the 4½ per cent average at the height of the boom in May. So long as he keeps his fingers crossed, an investor might think it plausible to expect a slow, hesitant and undramatic rise.

But what to buy? Since the collapse of the boom in May, it has largely been the defensive stocks—tobacco, brewery, food, insurance, investment trust and stores issues—which have lost the least ground; the cyclical shares—chemical,

DECLINING RETURNS*

	GROSS		NET	
	Previous year	Latest year	Previous year	Latest year
	%	%	%	%
Breweries	22.9	24.9	12.4	11.2
Shops	25.5	24.5	12.1	11.1
Building	20.5	20.1	9.8	9.4
Food	20.2	19.3	10.3	9.7
Paper & newspapers	17.6	15.6	7.9	7.0
Engineering	15.1	13.8	7.2	6.4
Electrical manufacturing	16.0	13.4	8.3	6.4
Iron & steel	11.4	12.4	7.4	7.1
Miscellaneous manufacturing	19.3	17.7	9.4	8.5
Other companies	20.3	19.6	10.5	9.8
All groups	19.2	18.2	9.6	8.8

* Equity earnings, before and after tax, as a percentage of net equity assets.

engineering, motor, building material, machine tool and steel—have lost the most. But it may be wondered whether the virtues of defence cannot be overdone. For examples, the yields on some of the supermarket shares look thin and make little allowance for the high cost of conversions and for increasingly savage competition in the retail trade. Yields on some of the composite insurance office shares look several valuations ahead. And yields on some of the property shares assume as fierce and as profitable rates of development in the future as in the last few years. Cyclical shares, on the other hand, are what they are and if investors turn to thoughts of an economic recovery, they will have to include them in their considerations, even though currently earned profit margins are uniformly depressing.

For the first time in a generation, the investor can no longer rely on the cult of the equity to bail out his mistakes, or allow his actions to be governed by such catch-words as "a hedge against inflation" and "growth." More than ever, whether Britain joins the common market or not, he will have to sort out those British companies which can stand a competitive pace and show the qualities of a middle-distance runner—staying power and a reserve of energy, capable of imparting a "kick" when the other runners are at full stretch. Essentially this is a quality of management, which is easier to assess than to measure. But it must mean paying attention not merely to earnings and dividends yields but also to long-ranging statistics of profit margins on sales and the returns on capital employed. When this latter yardstick is applied to a number of companies of supposedly top class, it is dismaying to discover so many cases of non-growth. Such sober appraisals may not appeal to the speculator, looking for the next popular favourites; if he has money to gamble with, he might look outside British industry—to the newer South African gold mines, say, which, if politics could be forgotten, are undervalued in terms of their economic potential. For the investor prepared to hold on, for some time, the self-evident and unexciting conclusion is to look for the equity with the better than average record in profit margins and rates of return over a fair period of time. This could be an opportune moment to start the search not for "growth" stocks but for competitive equities—though probably not yet the buying.

Choosing Targets for Gas

DURING the last few weeks the Treasury and the Ministry of Power have been considering what rate of return on capital ought to be earned in the gas industry during the next five years. By now these ministries, having taken into account views from within the industry on this rather crucial matter, may well have answered with details of what Whitehall has decided. Gas seems to be one of the first nationalised industries to complete this target-setting exercise, inaugurated this autumn under the Government's new policy for these industries; though it was not completed quite as soon as the ministry hoped in June. But the exercise for gas will have differed somewhat from the parallel exercise for coal—or even for electricity. It has involved settling bogey rates of return not for one monolithic industry, nor even for an industry in which the fortunes of the wholesaler and the retail distributors of fuel are necessarily interlinked; but for twelve bigish self-contained businesses which are highly diverse in size, operations, problems and opportunities. The rates of return that the twelve area gas boards will have been required to earn on their capital will not, under the present dispensation, be published until their next annual reports unless any of them has to alter gas prices because of it and tells the public why. (This is an odd and probably unwise arrangement applying to all public industries: is the public to wait until particular chairmen in these industries happen to mention the "target" rates they have been set?) But one can safely assume, in the gas industry, that these boards will not all have been set the same target.

This diversity of the publicly-owned businesses that run the gas industry in Britain is an element that sets it apart from its nationalised competitors and suppliers in fuel. The point comes up as inevitably in considering their annual financial results, as in reading their published evidence to the Select Committee on Nationalised Industries (both of which happen to have been published this week). Different gas boards' turnover in 1960-61 from selling gas and by-products varied from under £9 million to nearly £55 million; their capital employed varies from £24 million to nearly £109 million; and after paying interest the boards' results ranged from a deficit of £460,000 to a surplus of £680,000. In physical operations, these businesses range from one that has more gas available than it can sell in its own area and "exports" a little, through others that buy almost as much gas as they make, to one that makes practically none of its own gas and relies on purchasing 90 per cent of what it sells. These financial results of independently-managed boards are what lie beneath the statement that "the gas industry earned a surplus of £2 million in 1960-61," which is not much more than an aggregate of them.

Such diversity and decentralisation of structure gives the gas industry perhaps greater strength at the points where it does its ordinary business than some of the industries, also often nationalised, with which it has to bargain. It does not give it equal strength at the top when it comes to things about which bargains have to be made—or political manoeuvres have to be deployed—centrally. The Gas Council has certain formal financial powers (such as the power to issue stock which

is no longer issued); considerable advisory influence with the boards and the Minister; responsibility for collective research. One area board chairman, in evidence to the select committee, likened it to a trade association; and its rôle is indeed analogous to that played by the British Iron and Steel Federation before the steel nationalisation episode, if perhaps a little weaker. It has certainly none of the teeth now possessed by the Iron and Steel Board in the largely privately-owned steel industry. Much of the recent controversy in this industry has focused or impinged upon the question whether the Gas Council, or some other central body, should now be given more decisive responsibility in some parts at least of gas supply in Britain.

The Select Committee on Nationalised Industries, this summer, suggested that greater central power was needed for the promotion of unconventional kinds of gas supply and perhaps gas transmission. It felt that this should be put into the hands of "a thirteenth board," with special responsibility for developments that needed—as some will—to cut across area board boundaries. The Gas Council, or at least the two members of its fourteen who are not chairmen of area gas boards, not surprisingly agreed that this central power was needed but thought that the council itself should have it, with power to require the area boards (i.e. the other twelve members) to take, if necessary, nationally-distributed gas rather than make their own. The Ministry of Power, now as in its evidence to the select committee earlier this year, appears not to wish to create too much central power over what it, like the committee, considers for the most part a group of pretty well-managed businesses. It has talked vaguely about a thirteenth member, without a new board, on the Gas Council, with the job of promoting the development of new and cheaper forms of gas supply. Whether he would have any powers to require area boards to fit in, or would be expected to rely simply upon the economic attractions of these new supplies, does not emerge from the Ministry's evidence. Obviously it might; these local businessmen have a sharp eye for a bargain. But deals between boards buying and selling these new supplies, for example, might involve some horse-trading in which the Gas Council's influence became somewhat remote.

DECISIONS whether the gas industry in Britain needs a somewhat different shape, and if so what that shape should be, are probably dependent upon technical decisions about what the new gas supplies can and should be—which are at present engaging the Cabinet, no less. The Gas Council's application to import liquid methane in refrigerated tankers from Algeria, under a contract already initialled with a tanker company owned partly by Royal Dutch/Shell and with a semi-nationalised French gas company operating there, has been with the ministry for some months now. The minister was at pains, before the Parliamentary recess, to emphasise that he did not need to delay his decision on this application until a report was received from the joint study by expert contractors, financed by the Gas Council and the National Coal Board, into the economics of complete gasification of coal in large-scale Lurgi plants on the coalfields. But the

decision has still not been announced, and Sir Henry Jones, chairman of the Gas Council, this week deprecated suggestions that this meant undue delay. The Algerian situation may not encourage hastiness—though there are many other places with gas where refrigeration plants could be built if necessary.

While such technically attractive possibilities dangle before the industry, and its existing plant grows steadily more obsolescent and uncompetitive with the kinds of price at which other energy industries can sell fuels of convenience, capital investment is not easy to plan; nor is it easy to prescribe in advance what sort of return this industry ought to be earning. In the evidence before the select committee now published, chairmen of different gas boards expressed different views about town gas from methane and/or Lurgi—and not always quite the views one might have predicted from an outside view of their boards' geographical and commercial location. "The gas industry's view" becomes as shimmering as "the gas industry's financial result for the year," and as hard to sum up realistically. This may well have been partly responsible for the select committee's own ambivalence of attitude on these technical issues, in spite of the fact that much of the figuring it reproduced in its report tended to emphasise the indubitable uncertainties of Lurgi economics.

For the present, beneath the levels of governmental approval for developments requiring large-scale imports and/or large-scale investment in new kinds of plant, the business decisions in this industry continue to be taken by the twelve businesses in it, individually rather than in concert. One effect of the select committee's report may have been to make the chairmen of these businesses look somewhat critically at the possible new forms of central organisation that it and others would

like to have interposed into the pattern of their industry; and this could indeed affect their attitudes towards the technical possibilities open to the industry. One wholly welcome result already from the impact of the liquid methane proposals, as has been said before in these columns, has been that it has scared other offers of cheap gas into the market. The Coal Board's active interest in the Lurgi process, and in possible forms of cheap hydrocarbons to enrich it, might also claim some of the credit for adding to the alternatives; some of the cheapest gas or oil fractions that are being offered around Britain today were originally offered for Lurgi enrichment. This does not mean that the only way to use them would be with the lean coal gas that Lurgi might make available; some of them are attractive for "re-forming" into town gas in their own right, as methane can be.

Below the political level at which the Gas Council and the Coal Board seem in a sense to have become deadlocked, these businesses whose job it is to supply gas, whether they make it out of coal or oil or buy it from coke ovens or refineries, have been considering these other possible suppliers. Several gas boards appear to be in touch independently with suppliers of naphtha or propane, both of which, in the volumes required to achieve the prices now being quoted, would also have to be imported; one is said to have sent a mission to the United States to discuss the technical aspects of supply, as the North Thames Gas Board did off its own bat some years ago when it originated the whole liquid methane project for this country. It would be possible, if unlikely, for these fresh offers of cheap gas to leave economically high and dry, both of the contenders over which so much political heat has been generated. What is certain is that in this industry's future sources of cheap gas, as in everything else about it, there may be more diversity than now appears on the surface.

trialists recording any changes, a majority still said that both output and employment had gone up in the past four months, but the upward balance was less marked than in June. At the same time, the answers suggest that capacity has increased faster than output: half the firms were considered to be working below a satisfactory full rate and many had more unused capacity than in June.

For the first time since February 1959 a majority of firms reported that they expect to spend less on plant and machinery in the next twelve months, as well as less on buildings. Some tailing-off of the investment boom was already expected; on the other hand, expectations are by no means always realised. For some time, these businessmen have been forecasting a fall in stocks. And yet, contrary to expectations, more firms have reported a rise than a fall over the last four months in stocks of both raw materials and finished goods.

BUSINESS OPINION

Falling Orders

MRS SELWYN LLOYD may choose to find some encouragement in the results of the latest survey taken by the Federation of British Industries. By a large majority the 686 top businessmen who earlier this month recorded their opinions felt less optimistic about the general business situation than four months ago. But the gloom was not shared by exporters; those feeling more pessimistic about export prospects in the year ahead were just outnumbered by those who sensed an improvement. In short, from these answers, export prospects seem to have kept up but home demand to have slackened. On the other hand, there seems to have been a deterioration in order-books even for overseas, more firms reporting a decline in the rate of new

orders received for exports than an increase.

The downturn in the rate of new ordering for the home trade appears even more marked and more firms reported a shortening than a lengthening of total order books. The replies to the questions about orders suggested a much less satisfactory seller's position than in June and a slightly less satisfactory one than in February. Looking to the future, these industrialists are still worried about skilled labour; but their biggest anxiety now concerns immediate demand. Nevertheless, in the past four months, orders seem to have been sufficient to keep output rising, although it would be risky to assume that these surveys can reflect the trend accurately. Of those indus-

MONEY AND EXCHANGES

Bank Rate and the Pound

BANK rate was reduced by $\frac{1}{2}$ per cent last week in order to discourage an inflow of funds to London and an outflow from New York. This week sterling has touched a new peak, the inflow of money has continued and accelerated, and pressure on the dollar has manifested itself in a revival of interest in gold. None of this should surprise anybody: what is surprising is that anyone at the Bank of England thought it might be otherwise. Now the City is already talking about "the other half"; but if London interest rates are really to be aligned with foreign centres the authorities will have to go much further than that. Their little, glossed-over Bank rate cut has started something.

The fall in the spot rate at the end of last week proved to be purely technical—reflecting the lengthening of the normal delivery period of two days for foreign exchange, which gives the buyer one or two days more in which to deploy his funds. This week sterling has again been in strong demand. There is still a backlog of commercial transactions in sterling which were delayed during the crisis. Banks in New York (though not on the Continent) are still believed to have a substantial bear position in sterling, so that commercial demands for sterling as they come forward tend to have a sharp impact on the market. It is much more difficult to assess the volume of balances that have returned to London for short-term investment.

In the City this week much has been said about returning hot money. The gilt-edged market talks of it. The discount market reports substantial enquiries for Treasury bills from German banks; the gilt-edged market and brokers in local authority mortgages report large offers of money from merchant banks—through which the bulk of overseas money entering the mortgage market is routed. Dealers in foreign exchange, however, are less sure that they have seen the money yet: enquiries are another thing.

The present situation in arbitrage is intriguing. On the one hand the absolute margins in favour of London are extraordinarily wide, ranging up to $3\frac{1}{2}$ per cent and more. On the other hand these are neatly offset by the cost of forward exchange cover. This week the forward exchanges were adjusted almost exactly in line with the cut in London short money rates, which followed the $\frac{1}{2}$ per cent cut in Bank rate fairly closely (see page 184). Thus the differential on covered arbitrage was hardly affected; against the guilder indeed the forward margin has narrowed by the equivalent of as much as $\frac{1}{2}$ per cent, but this reflects a simultaneous tightening in the Dutch money market.

Confidence and the Dollar

ON one view, the Bank rate reduction has actually given a stimulus to foreign funds by acting as a demonstration of confidence, encouraging more operators to chance their arm and invest without forward exchange cover. As far as can be seen such operations are slow to reappear. The German and Dutch revaluations of last March have left painful wounds here, and some German banks, for example, have forbidden their exchange dealers to take any open investment positions abroad. At the same time, it should not be forgotten that there is never any single interest rate differential. Thus local authorities in the London market are now paying 7 per cent for 7-day money, almost a full point above the Treasury bill rate, while merchant banks anxious to tap foreign funds to feed into this market are offering rates of $6\frac{1}{2}$ per cent for a one-month deposit—which is getting on for two full points above the 7-day deposit rate of the London clearing banks. In one way or another it seems clear, from the behaviour of sterling, foreign money is returning to London, if not yet in the proportions of 1960—when there was a

margin of over one per cent on covered arbitrage.

Underlying confidence in sterling is far from unquestioned, but for the moment it is the dollar that has fallen out of favour. It has weakened not only against sterling but also against the mark (which had previously been adversely affected by the Berlin crisis). There has been a marked increase in private buying of gold, which was falling back in the previous fortnight, and it is probably only support sales by the Bank of England that have prevented the price from breaking through \$35.20 an ounce. The buying has come mainly through Swiss banks. Berlin is one factor—some Continental newspapers this week have swung back to pessimism. But this is not all. The climate for the dollar changed visibly at the Vienna meeting of the International Monetary Fund, with its open display of a disunited front. In the past week the published losses of gold by the United States have seemed to confirm the fears, and the makings of a speculative spiral are there. Some quick second thoughts about international co-operation may be needed to check it.

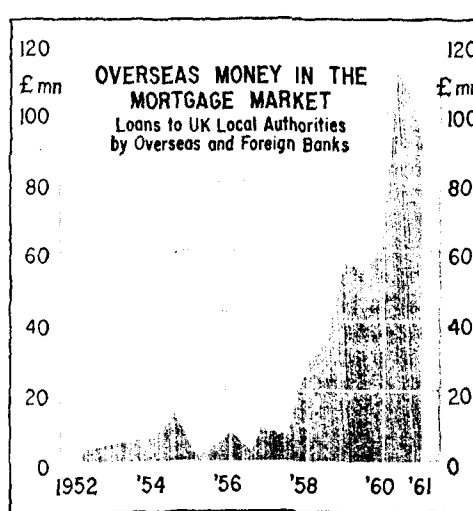
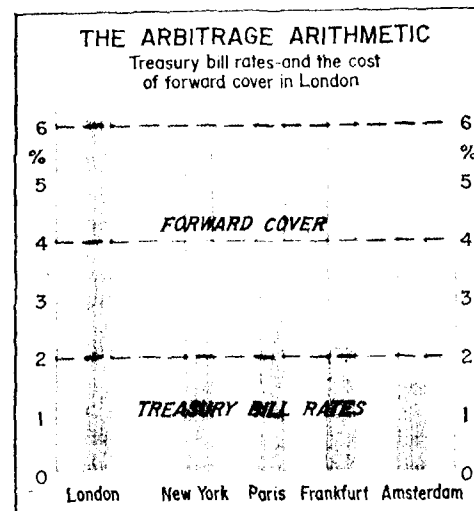
GILT-EDGED

All the Rage

WHILE the ordinary share market, after its brief Bank rate flurry, has returned to gloom, gilt-edged continue to shine. Buying has been on a considerable scale, although it is still concentrated mainly at the shorter end of the market. It is now certain that the clearing banks are back as buyers of bonds. This does not necessarily reflect a change in their basic attitude to gilt-edged; it has been prompted by the sudden increase in liquidity resulting from the banks' unexpected success in cutting advances. The bankers know that high liquidity ratios could nowadays be deflated in a further call to special deposits. Hence their gingerly return to gilt-edged. They are keeping short—the bank purchases are not reported to include the maturing February stock, but some are not much longer. Some of the discount houses which were unloading bonds before the July increase in Bank rate are now also replenishing their portfolios. But interest in gilt-edged has not been confined to the professionals. Individuals and institutional funds in Britain have taken to fixed-interest securities as a reaction to their uncertainty about equities—an exact rever-

GILT-EDGED NET PRICES

	Jan. 3, 1961	Aug. 4, 1961	Oct. 11, 1961	Gross yield
Exchequer 3% 62/63	95 $\frac{1}{2}$	94 $\frac{1}{2}$	94 $\frac{1}{2}$	5.88
Treasury 5 $\frac{1}{2}$ % 1962	100 $\frac{1}{2}$	99 $\frac{1}{2}$	99 $\frac{1}{2}$	5.43
Conversion 4 $\frac{1}{2}$ % 1963	98 $\frac{1}{2}$	97 $\frac{1}{2}$	98 $\frac{1}{2}$	5.93
Exchequer 5 $\frac{1}{2}$ % 1966	98 $\frac{1}{2}$	96 $\frac{1}{2}$	96 $\frac{1}{2}$	6.13
Savings 2 $\frac{1}{2}$ % 64/67	82 $\frac{1}{2}$	80 $\frac{1}{2}$	83 $\frac{1}{2}$	6.02
Funding 3% 66/68	81 $\frac{1}{2}$	78 $\frac{1}{2}$	81 $\frac{1}{2}$	6.31
Funding 5 $\frac{1}{2}$ % 82/84	95 $\frac{1}{2}$	87 $\frac{1}{2}$	88 $\frac{1}{2}$	6.46
Funding 3 $\frac{1}{2}$ % 99/2004	63 $\frac{1}{2}$	55 $\frac{1}{2}$	55 $\frac{1}{2}$	6.58
Treasury 5 $\frac{1}{2}$ % 2008/12	93 $\frac{1}{2}$	81 $\frac{1}{2}$	82 $\frac{1}{2}$	6.76
War Loan 3 $\frac{1}{2}$ %	58 $\frac{1}{2}$	49 $\frac{1}{2}$	51 $\frac{1}{2}$	6.72
LCC 6% 75/78	99 $\frac{1}{2}$	91 $\frac{1}{2}$	93 $\frac{1}{2}$	6.65



sal of the switch that went on through the 'fifties. There have also been purchases from overseas, which have helped to narrow the discount on security sterling to only 0.3 per cent.

The revival of the past few weeks has raised prices of short bonds by more than one point and of the low couponed medium dated stocks, which are so attractive to sur-tax payers, by about three points. War Loan also has achieved a rise of this magnitude since the low point of early August, but the long-term market as a whole is still held in check by the official tap—the net price of 5½ per cent Treasury 2008-12 has risen by less than one point. The market expects soon a stream of corporation issues—but it has been anything but damped by this week's cash and conversion issue of 6½ per cent 1971-72 stock by the London County Council, which at the issue price of 96½ gives a running yield of nearly 6½ per cent and a gross redemption yield of £6 19s. per cent. At these terms the LCC confined its issue to £10 million, the amount of the maturing stock (which is now being bought at 102 to ensure an entry into the new stock) and it presumably intends to rely on short term borrowing to meet its needs for new money.

While funding issues are expected from the local authorities, however, the gilt-edged market is anticipating a reduction in the volume of stock emanating from the government itself. It is now recalling the Chancellor's (April) budget prognosis that the government would not be looking for new money in the gilt-edged market; and this is being interpreted to mean that when the government broker's holdings of short and medium stocks run out—and they are getting pretty thin—the government could not, in decency, replace them by a new issue (as distinct from a conversion issue to deal with the February maturity). For once, on this view, demand for gilt-edged is pressing on supply, rather than the other way round. In association with the inclinations implicitly expressed by the Governor of the Bank in his Mansion House speech, this is leading some observers to predict fairly sharp price increases before the end of the year. Some big reservations are needed about this bullishness; but the fact is that it has now taken hold in the gilt-edged market more widely than for many years past.

THE NEW MONEY RATES

	From per cent	To per cent
Bank rate	7	6½
Treasury bill rate	6½	6½
Overdraft rates:—		
England	7½—8½	7—8
Scotland (minimum)	8—9	7½—8½
Deposit rates:—		
(7 days notice)		
Clearing banks	5	4½
Discount Houses	5—5½	4½—4¾
Local authorities	7½	7
Building Societies*	3¾ (6½)	
Natnl. Savings Certificates*	4¾ (6¾)	

* Bracketed figures are grossed-up allowing for tax at 7s. 9d.

OIL TALKS

"Severance" in Baghdad

PREDICTABLY, General Qasim on Wednesday night this week in Baghdad made a series of "final demands" upon the Iraq Petroleum Company to which its corporate shareholders told him they were wholly unable to agree; he then declared negotiations between the government and the company "severed," and said that he would introduce prepared legislation to limit the producing operations of the Iraq, Basrah, and Mosul companies.

What IPC's shareholders—BP, Royal Dutch/Shell, Standard Oil of New Jersey, Socony-Mobil, Compagnie Française des Pétroles, and the Gulbenkian interests—had offered, in addition to points conceded before on dead rents, "Iraqisation," and the relinquishment of 90 per cent of the unexplored areas according to a time-table, was, on the question of participation:

a 20 per cent interest for the Iraq government in a new company to be set up to explore and develop the 15 per cent of the unexplored areas in the concession that IPC had agreed to relinquish in 7 years time (it had in any case agreed to relinquish 75 per cent of the area immediately).

What General Qasim, after rejecting the companies' memorandum setting out their arguments against participation in existing IPC operations, demanded on Wednesday was:

relinquishment of 90 per cent of the unexplored area of the concession straight away; participation, in proportions to be discussed, in a joint company to be set up to develop all of the remaining 10 per cent except "the producing wells." (IPC produces oil from about 2 per cent of its total concession area of some 170,000 square miles, though it has explored and proved oil in more than that); and that on their remaining operations the companies should pay in tax and royalties more than 50 per cent of their profits reckoned at posted price.

These demands went beyond anything the government had previously mentioned—a process of steadily raising the ante to which the companies have become accustomed in dealing with General Qasim's government since July 1958—and raised its demands well beyond anything it could have expected the companies to accept. The negotiators said they could not; whereupon the prime minister announced that negotiations were at an end.

It has long been a matter of doubt, among the IPC shareholders involved in these Baghdad discussions, whether IPC was ever engaged in a real negotiation or not. The cynics argued that it was not: that General Qasim was neither willing nor in his internal political circumstances able to accept anything short of a complete surrender by the companies to his demands. The cynics have it. It remains to be seen what kind of legislation the Iraq government has prepared;

whether the operating companies, if allowed to go on producing, will be able to do so on the present 50-50 tax basis; and whether IPC's shareholders, who are not generally short of oil elsewhere, continue under any conditions of duress that may be imposed to "lift" Iraq oil.

DUNLOP RUBBER

Modestly Better Margins

IN keeping with an earlier promise, the directors of Dunlop Rubber have reduced the disparity between the interim and final dividends by raising the interim payment from 4d. to 6d. per 10s. stock. They make the usual disclaimer that this does not imply a higher total distribution than the 1s. 7d. paid for 1960. The statement, however, is encouraging in that it shows that, against the trend in much of British industry, Dunlop's gross margins in the first half of this year were higher than they were in either of the two halves of 1960. Last year, the company had some stock losses and these, with the price of natural rubber comparatively stable in the

SALES AND PROFITS (£ million)

Six months ended	Dec. 31, 1959	June 30, 1960	Dec. 31, 1960	June 30, 1961
Sales	134.0	136.0	139.0	133.0
Gross profit	11.95	11.18	12.05	11.88
Net profit	4.02	3.29	3.37	3.24
Gross profit/sales	8.9%	8.2%	8.7%	8.9%
Net profit/sales	3.0%	2.4%	2.4%	2.4%

first half of this year, cannot have had any significant effect on the latest results. Sales are slightly down, but export sales have risen by as much as 16 per cent to a new record level. This suggests that Dunlop's overseas business, which contributes well over half of the profit, has again stood the group in good stead. At home there has been a fall in sales of original equipment tyres, but Dunlop seems to have made further progress in the replacement market, where margins are higher. Policies of decentralising the divisions and imparting more vigour to some of the subsidiaries may also have helped. The directors say results in the second half of the year should be broadly the same as those in the second half of 1960. This is a welcome reassurance, though the weight of tax and minority interests could prevent the modest improvement in margins and gross profits from being reflected in net equity income.

WALL STREET

More Discrimination

A correspondent cables:

ALTHOUGH the Dow Jones industrial index continues to hover just over the 700 mark, Wall Street was in a more confident mood this week. Investors were once again buying, which might suggest that the



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THE BUTTERFLY AND THE BEE

an economic fable

the whole garden. And poor little insects like me won't be able to get a look in."—"Well," said the bee,



ONCE UPON A TIME there was a Cabbage White Butterfly who fancied herself as an intellectual. However, as is the nature of butterflies, she was a little inclined to flit from flower to flower. One subject which she rather liked was economics. That, she felt, was a nice basic thing for a butterfly to be brainy about.

One day, in high summer, she was lazily hovering over the herbaceous border, making, as she put it "an Intensive Survey of Honey Production." In due course she landed, a little out of breath, on



the tip of a large foxglove, and began fanning herself languidly with her wings. "I say, do you mind," said a voice. "You're making an awful draught down the back of my neck." Startled, the Cabbage White looked behind her. Backing out of another foxglove was a large honey bee. "Oh, how perfectly delightful!" cried the Cabbage White, in her most refined tones, "I've been wanting to have a chat with you. You see (and here she simpered) I'm a bit worried about what's happening in the world." The honey bee gave a little buzz which was almost a groan. He'd had conversations like this before with the Cabbage White.

"In fact," went on the Cabbage White, "I do think you chaps are being a bit unfair to us chaps. Speaking generally, of course," she added. "Oh?" said the honey bee. "You see," said the Cabbage White confidently, "you're so energetic. Rushing back and forth, filling that hive up." "Nothing wrong with that which I can see," said the honey bee.

"Ah, but isn't it terribly, terribly monopolistic?" cooed the Cabbage White. "You bees will soon control

which particular set of bees do you mean? There are lots of hives in this garden."—"Ah," said the Cabbage White, flirtatiously batting her wings, "but I know for a fact you're all in it together."—"You know very well that we can't be," said the bee. "We all make honey. Every hive works more or less the same way. But we're all competitors. And we've all got very different ideas on what's the best mixture of flowers for a good honey."—"Really?" said the Cabbage White. "Why didn't anybody ever tell me that?"—"They did, but I expect you weren't listening," said the honey bee.

The Cabbage White changed her tune. "But aren't you frightfully selfish?" she persisted. "Pillaging the poor flowers, taking their precious pollen?"—"If it weren't for us fertilising things, there'd be fewer flowers next year," said the bee. "Oh, you mustn't be rude to poor little me," sighed the Cabbage White. "You big strong bees, bossing all the flowers in the garden, rushing round telling them exactly how to grow."—"Oh, don't be silly," cried the bee, crossly, "you know we haven't got time to bother about



all that. The flowers know their job. We know ours, and that's all there is to it. In fact, only a very little of what the flowers make comes to us." But the Cabbage White had already fluttered to another foxglove.

MORAL:

Those who can, do. Those who can't, preach.

* * * * *

ISSUED BY THE LIFE OFFICES' ASSOCIATION,
LONDON—AND ASSOCIATED
SCOTTISH LIFE OFFICES, EDINBURGH.

recent decline from the peak of 730 was simply a pause in the upward trend and not the harbinger of a new bear market. The most promising sign was the action of railroad stocks, which have been lagging behind industrial equities but which are now in demand because it is believed that they will show greatly improved earnings as the recovery in business gathers way. While, however, the Dow Jones and other indicators have made only moderate declines many individual issues have suffered big losses and have a lot of ground to make up. These depressed issues, which include drug, electronic, entertainment and steel stocks, will be candidates for investors seeking tax losses so that the prospect of a swift rise in prices is dim. Tax selling is traditional at this time of the year and the indications are that it will be of greater than normal

BUSINESS NOTES

proportions. The rise in the prices in the first half of the year induced many investors to take their profits and the subsequent fall, particularly in the growth stocks, affords the opportunity for tax losses.

Institutional investors have taken up a somewhat more defensive attitude, though they continue to buy equities as fresh funds become available. They complain that there are relatively few reasonably priced issues that can be held for the long term and they are sceptical of buying for a quick turn. At the same time they do not feel that fixed interest stocks offer attractive enough yields to dictate a shift. Hence they are exercising an increasing degree of discrimination, concentrating on equities offering good yields and, they hope, some prospect of capital gain rather than on the growth stocks that have had such violent fluctuations.

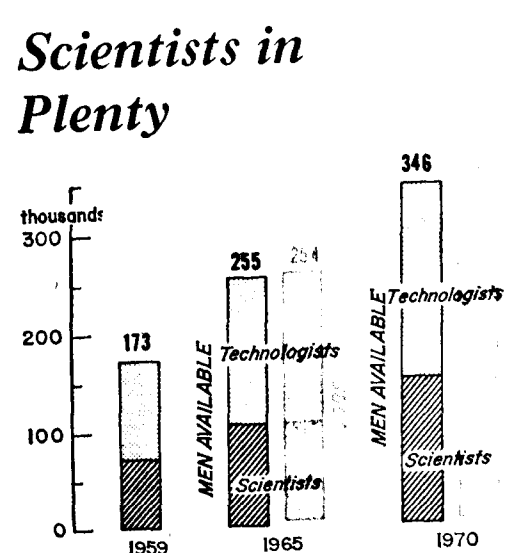
THE ECONOMIST OCTOBER 14, 1961

AIR TRAFFIC

A Freight Boom?

THE airlines introduced lower tariffs for air freight in the middle of the summer and the effect has been startling. During August, the tonnage of goods crossing the North Atlantic by air was not far short of 6,000 tons, an increase of 55 per cent on the previous August. This contrasts sharply with passenger experience which seems to worsen each month. During the first half of the year, the number of passengers showed an increase of 12 per cent, which left a high proportion of the airlines' 45 per cent additional seating embarrassingly empty but was a long way short of slump.

Scientists in Plenty



THE prospect of an impending surplus of scientists is going to shock many people (and parents) who have become conditioned during the past five years into believing that the golden boys and girls of science would never lack work. In fact, prospects even for those science students now at universities and technical colleges may be tougher than the government's Committee on Scientific Manpower has suggested in its latest estimates* of the supply and demand for technically qualified people during the next decade.

These estimates are hedged with qualifications; they are no more, as the chairman, Sir Solly Zuckerman, was at pains to explain, than an attempt to keep a rapidly changing situation under running review. The probable number of technically qualified people available between now and 1970 can be estimated from the number of places available at universities and technical colleges, assuming that all

* The Long-Term Demand for Scientific Manpower. Cmnd 1490. HMSO. 1s. 9d.

the probable demand for scientists—by asking the people who actually employ them—has led to wildly misleading answers; in times of buoyant production industry tends grossly to overestimate the numbers it is likely to employ and in times of depression it gives correspondingly depressing replies. This time the committee used a new yardstick—and an admittedly optimistic one.

It assumed, in the first place, that industrial production would rise during the present decade by an average of 4 per cent yearly, which is a sanguine figure to start with. Secondly, it has guessed that the level of efficiency throughout British industry will rise during the period to such a level that every company will be employing by 1970 the same ratio of technically qualified men in its total labour force as the best and most exceptional companies alone employ today. This is an admirable target. Whether industry will reach it is another matter altogether.

On these assumptions the scientific and technical manpower available will roughly

of these places will be taken up. On this guess, the number of technically qualified people will rise from about 173,000 at the beginning of the decade to 255,000 in 1965 and 346,000 in 1970. By 1975 their numbers should be not far short of half a million.

Estimating the jobs liable to be available for them, however, is a thankless and near-impossible task. Earlier attempts to

match the number of jobs available by 1965, and by 1970 there will be an actual surplus of scientists. Then, says the committee, industry will be able to employ men with scientific training in other jobs where their technical background will be an asset. This assumes that those other jobs will not have been snapped up by the large numbers of arts graduates who are already finding some difficulty in getting work.

THESE figures merely indicate trends, nothing more. The committee itself says that it had not enough evidence "to permit detailed conclusions to be drawn." But they are trends of great importance. Last year the committee recorded that a surplus of some kinds of scientists had already appeared. This year it says that some companies questioned "were unable to make full use of their existing qualified manpower," an ominous generalisation that would be confirmed by numbers of irritated young science graduates in industry who find themselves shunted into the kind of administrative or sales job that they never wanted to do and for which they feel themselves totally unfitted. And if the committee is right in assuming that supply and demand will be roughly in balance four years from now, this indicates that there will be substantial surplus of certain types of scientist because others, mainly mathematicians, will still be scarce.

The attitude of industry to the employment of scientists is bound to become of increasing importance, because if assumptions about government-sponsored research (including defence) are correct, then industry will be employing half the total number of technically qualified people by 1970, instead of only about 44 per cent which it did in 1959. It is quite possible to argue that it will still not be employing anything like enough.



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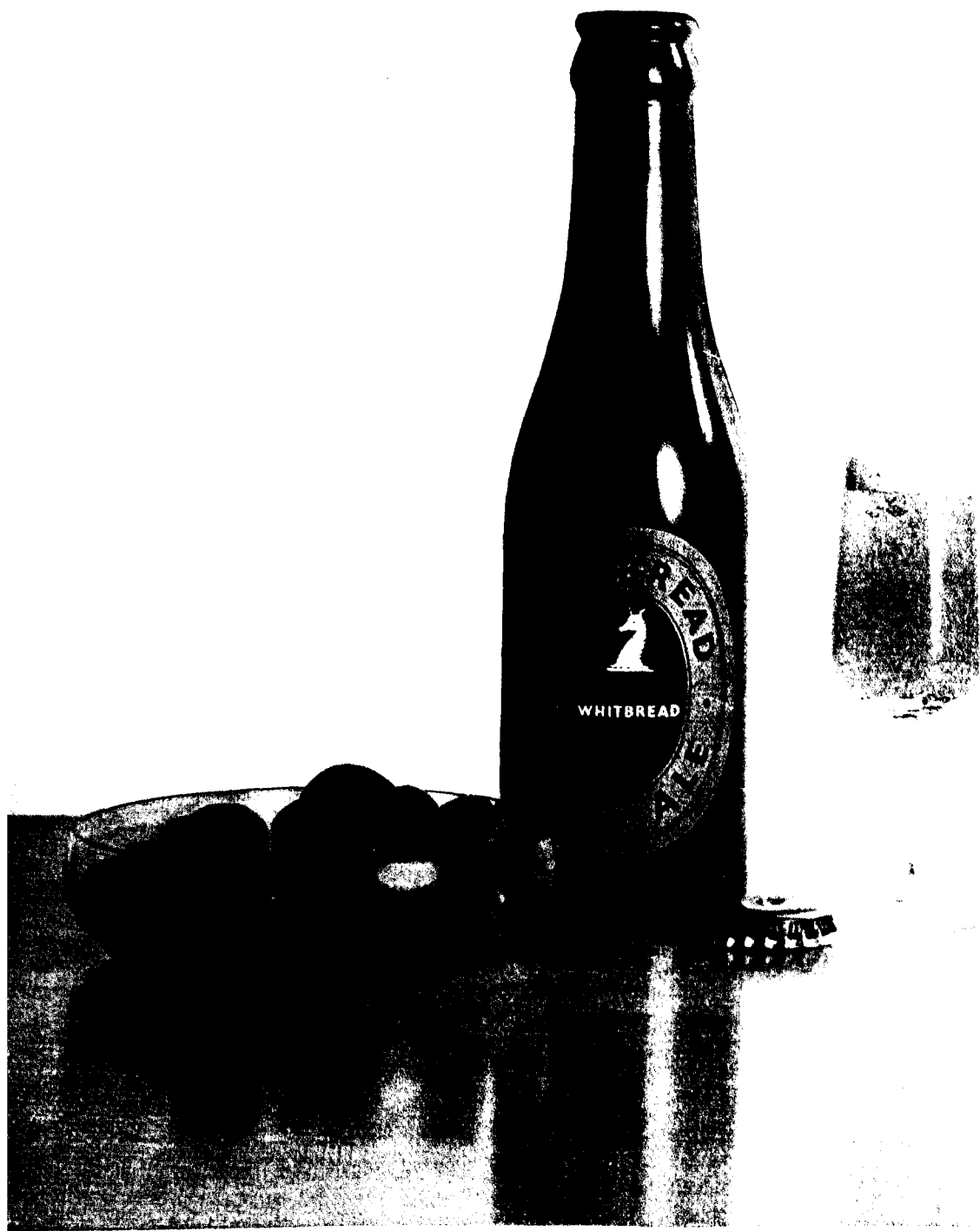
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a flavour to intrigue you

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a pleasure to transform you



But growth has been sliding steadily and after a temporary recovery in mid-summer, the preliminary figures for August show a marginal increase in passenger traffic. During what is normally their peak month for travel between Europe and North America, the airlines flew with half their seats empty and the actual numbers carried increased by a mere 2.2 per cent to 237,000.

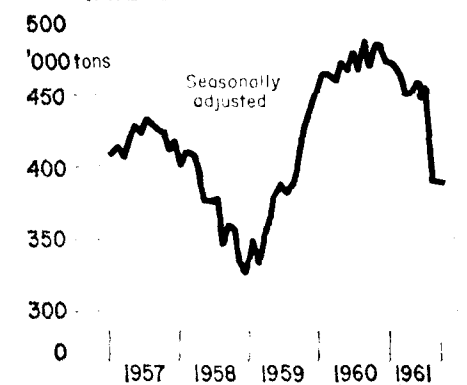
To an industry geared to a steady annual increase in traffic of up to 15 per cent, such results are alarming, especially in a year when all airlines had over-expanded. The temperature chart of the air transport industry is best measured by the percentage of seats sold; in August last year it was more than 68 per cent on North Atlantic routes, providing a profit to spread over leaner months of the winter. This August it was 52.4 per cent which meant that most services were running at a loss. In fact, the big airlines, with high-powered selling organisations, have probably been doing better than this, at the expense of the smaller operators who rely considerably on picking up traffic for which the big airlines have no room. Some smaller countries may ponder after a year such as this whether prestige alone justifies maintaining a North Atlantic service.

STEEL

Down to 77 Per Cent

STEEL users again drew heavily from their stocks in September, creating another hole in steel production. At an average weekly rate of output of 400,200 tons, the steel industry was working at about 77 per cent of its current capacity during the month, compared with about 78 per cent during August. All told, steel production was 14 per cent lower than last year during the third quarter, after running 2 per cent lower in the second quarter: this was roughly the pattern of decline in 1958, the last year of stock recession. Up to March this year, stocks held by users and merchants were still, albeit slowly, being built up: about 100,000 tons were added during the three months. In the second quarter stocks were run down by some

WEEKLY STEEL OUTPUT



80,000 tons, and present indications point to a possible further reduction of as much as 250,000 tons during the third quarter.

Another substantial reduction is expected during the fourth quarter, though the industry is hoping, perhaps optimistically, that by the end of the year most of the larger stockholders among the motor companies and consumer goods manufacturers will have brought their stocks down to something like desirable levels. This year's change round, however, has already caused Appleby-Frodingham to delay completing the extra pig iron capacity it had planned.

Meanwhile there has been no significant change in the pattern of orders actually placed, pointing for instance to any slackening in the activity of heavy and structural engineering firms. New export orders are becoming hard to get; current export shipments are slightly higher than last year, but deliveries have not been matched by new orders.

BIDS AND DEALS

Entertainment Mergers

AS expected the latest move in the tidying up of the complicated capital structure of the Rank Organisation is its bid for the ordinary shares in Gaumont British which it does not already own. At the moment Rank owns 41.6 per cent of the Gaumont equity but controls 57.2 per cent of the votes, and the directors say that the terms of the merger pay particular regard to the common revenue resources of the two companies and their predetermined sharing of profits as a result of the 1959 rationalisation scheme. Thus Rank's more highly geared equity has been recognised by the inclusion of an element of preference capital in the exchange offer for the Gaumont equity. What the terms do not recognise however are the existing, though admittedly minority, voting rights of the Gaumont shareholders who have one vote for every 10s. share and one vote for every 20 5s. "A" shares.

Voting control of Rank Organisation is firmly held by a Rank family trust. It does not seem necessary however to debar the Gaumont shareholders completely from any say in the group's affairs as the present offer does. The terms, 260 Rank "A" plus 75 6½ per cent preference shares for 200 Gaumont British 10s. shares and 260 Rank "A" plus 60 6½ per cent preference shares for 400 5s. "A" shares means that holders of Gaumont "A" shares will have their dividend maintained at 20 per cent while the dividend of a Gaumont ordinary shareholder will be raised effectively from 20 to 20.9 per cent. This calculation takes account of the preference distribution and Rank's forecast that the 1961-62 dividend will be raised from 22½ to 25 per cent.

*

THE proposed merger of Mecca and Forte's two of the largest catering and entertainment groups in this country, has also focused attention on the im-

portance of non-voting shares, for Mecca's capital, all in 5s. units, consists of £350,000 ordinary and £2,040,000 non-voting "A" ordinary. Forte's is still a private company with its founder, Mr Charles Forte, its controlling shareholder. Full details of the merger are not yet settled and it remains to be seen how the merger is to be effected; suggestions that Mr Forte is prepared to accept "A" shares for his catering companies which are roughly equal in size to those of Mecca are difficult to believe even if he and several of his colleagues went on the board of the merged group. It seems certain that the two companies will have to discuss the possibility of giving votes to the Mecca "A" shareholders or the creation of some new type of capital such as management shares. The latter step however would certainly not please many in the City.

The profit implications of the merger of these two lively groups both with thrustful managements exploring and developing wide interests in the entertainment and catering fields have been made clear in the net rise of over 10s. in Mecca 5s. ordinary to 54s. 6d., after they had touched a peak of 61s. 6d. The "A" shares were only 2s. better on balance at 35s. 3d. after touching 40s. 3d.

EUROPEAN CAPITAL MARKETS

Conference of Bourses

A MEETING between the representatives of eighteen stock exchanges from thirteen European countries has been taking place in London this week. This is the fourth and biggest conference of its kind, and the first to be held in London. Delegates from the three Scandinavian countries have joined in for the first time, together with representatives from this country, Switzerland, Austria, Spain and the common market countries. The possibility that Britain may enter the common market enhances the importance of a conference which aims at good will and co-operation between the bourses, as well as tangible matters such as aiding the freer movement of securities throughout Western Europe, methods of exchanging information and better standards of protection for the investor.

These are worthy aims, though to a large extent they demand government action to remove the barriers of exchange control, administrative regulations and tax complications. But the stock exchanges can play an important role themselves. A report* from Political and Economic Planning this week shows that one important impediment to trading in foreign securities is lack of published information in company accounts—which stock exchanges can influence. The report also concludes that the slow pace of integration among European stock exchanges

* International Money and Capital Movements in Europe. PEP, 16 Queen Anne's Gate, London, SW1. 4s.

has not been due so much to government restriction as to insufficient interest on the part of the companies whose shares are most likely to obtain quotation on the principal stock exchanges in West Europe.

Such questions deserve as much attention from the European stockbrokers' club as it gives to pressing governments to do their part by abolishing stamp duties—a point that Lord Ritchie again took up in his speech at the Mansion House last week. The conference can also pool its knowledge on such technical problems as the printing

of bearer securities, the exchange of information about lost or stolen securities and the possibility of some kind of international clearing mechanism. One result of this week's meeting may be to establish a rather more formal and more permanent federation of bourses. This could only be a loose federation at first and in its early stages it would probably not need a permanent secretariat; but it could develop into a valuable instrument for assisting free and safe movement of investments across Europe's frontiers.

The New Governor Speaks

LORD CROMER'S address at the Mansion House dinner on Thursday of last week was his first public speech since he became Governor of the Bank of England on July 1st. The Governor spoke frankly. He indicated his leanings in his own sphere of policy—questioning the desirability of high interest rates and emphasising the limited scope that monetary measures should be asked to perform—and, as the following extracts show, he also asked some radical questions over a wide range of economic and social policy.



Mixture of Maladies

We had borrowed short, and properly so, to deal with what I might describe as an attack of fever. This fever tended to obscure the deeper-seated, but more malignant, disease which was afflicting us as well; both diseases are curable, but while the fever would soon subside with appropriate treatment, the other would need more drastic treatment and longer-term care. As it was, we were left in the situation of owing our bills arising out of the treatment of the short-term fever, and were not earning enough to pay these bills owing to the longer-term disease which, in itself, required further treatment. The regime for the longer-term treatment was initiated by the various measures announced by the Chancellor at the end of July.

Limitations of Monetary Measures

What I may call the non-monetary measures, which included the pause in wage and salary increases and the promised reduction in the rate of increasing Government expenditure, although fundamentally the most important of all the measures, were likely to be relatively slow in producing their effect. But the seriousness of the situation that had arisen, to-

gether with the discouraging future outlook, demanded defensive measures making an immediate impact. I was therefore fully in support of the proportionately heavy reliance on the use of monetary measures in the short term, which alone could, in the time available, make this impact. . . . I would, however, not be true to my own convictions if I did not state that it is my firm belief that constant recourse to disproportionate use of monetary measures is no substitute for a consistent and appropriate national economic policy.

The Bank Rate Reduction

Today Bank Rate has been reduced from 7 per cent to 6½ per cent. I have little to add to what the Chancellor has said, except to endorse that this change calls for no less resolution in the application of the Government's declared economic policy over the longer run or of the other measures of monetary restraint. This modest reduction in Bank rate is made possible by an improvement in the exchanges. There is also the evidence of credit restraint in which the banks and other financial institutions have been co-operating.

See How They Run

THE traffic has not been completely one way to the London Stock Exchange this week, for a small party of London stock brokers paid a short visit to the Basle Stock Exchange to see how prices can be communicated by a closed circuit television system. They have a lively interest in such a development, for when the London Stock Exchange is re-built television could ease the problem of communications between the "house" and the brokers' offices. In Basle

Tariff Barriers and Export Profits

Let us be under no illusion that we have been forced into borrowing from the Fund solely by the activities of foreign speculators. We have been spending overseas more than we have been earning overseas; at the same time at home we have allowed the level of demand to grow in such a way that, in the home market, behind some debilitating protective barriers, increased costs have been passed on to the consumer in higher prices, with the result that, by comparison, the profit motive in exporting is today in many cases inadequate.

Some Searching Questions

If we are to maintain our present standard of living, let alone improve it, we have to work for it and not against it. There are, I believe, a number of factors working against it, stemming in part from our national tendency to revere the past to an excessive extent, to hanker after the good old days or to use our energies to fight evils and abuses, many happily long disappeared, of the bad old days. Are there not still many out-dated customs and practices in industry which owe their origin to mitigating the dire hardships of the years of depression between the wars, but which today only result in limiting the advance in the standard of living? Is it perhaps not possible that the overall level of Government expenditure today has grown to levels that the population as a whole is not willing to support by foregoing personal consumption to the extent necessary? Is our system of taxation matched to the present needs of the nation? Are the money rates we have seen in this country in recent years the most appropriate to achieving the rate of progress we would like to see? Are we saving enough? Is the high level of Government expenditure overseas not perhaps based more on our Imperial past than tailored to our changing position in the world or the need to confine financially unremunerative expenditure overseas to what, as a nation, we are prepared to earn overseas? Do the remnants of the "siege" economy which remain with us from the last war make any positive contribution to our good or merely restrict our earning capacity? These are some of the questions that are crossing my mind in my first few months of office. . . .



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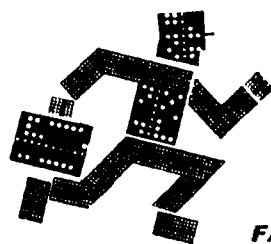
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... FIRST OCTOBER 14, 1951

they were shown how prices established by the Stock Exchange "ring" of banks are listed on a large share form. This is divided into the various market sections, such as bonds, banks and dollar stocks, and each section is covered by one of eight cameras concealed in the ceiling above the clerk's head. The pictures are transmitted throughout the building to screens, each with a push button selector unit to project the appropriate section of securities on the screen. This system was developed by Pye and may soon be extended to banks and offices throughout Basle, as is already being done in Zurich. Eventually it is hoped to link at least these two exchanges by a television system.

Screening of prices is not unknown around the "House"; a few firms using Pye or other equipment already relay prices from their boxes to their offices and to some institutional clients. One method used is a scanning system with a prism moving in front of a television camera which covers every 75 seconds a board showing the prices of about 200 stocks. Soon a firm of stockbrokers handling a large amount of business from Scottish institutions plans to transmit prices, first "telexed" from London to its clients by television from its Edinburgh office.

The use of television would be facilitated if the brokers' boxes in London approached the impressive standard of the streamlined booths at Basle. The cost is not much of a stumbling block; the Pye equipment at the two Swiss exchanges cost about £30,000 though on present levels of business, many London brokers would think hard before investing on this scale.

BUSINESS NOTES

RESTRICTIVE PRACTICES COURT

Five More—Scots 'n All

IN one day's sitting the Restrictive Practices Court, under Mr Justice Russell for the first time, sealed the fate of five more restrictive agreements, all of them by consent order. The agreement of the **Steel Hinge Makers' Association** was a straightforward minimum price restriction. The agreement of the mileage conference group of the **Tyre Manufacturers' Conference** was broadly similar: it had provided for minimum rentals based upon mileage where tyres are rented by large fleet operators rather than bought outright. The **Diary Publishers' Association** agreement had prohibited the supply of dated diaries on sale or return, and maintained manufacturers' retail prices until after March 1st for each year's batch of new diaries. The **Millinery Distributors'** agreement contained a roughly similar provision precluding the supply of new autumn hats before June 18th, and new spring models before November 12th, as well as forbidding price cuts on spring millinery before June 12th. It also confined supplies of millinery to firms appearing on an approved list.

The fifth agreement, that of the **National Caravan Council** which in effect maintained a closed shop of manufacturers and retailers, provided the Court with a chance to publicise the boundaries of its jurisdiction. Two Scottish members of the council, evidently believing that no Court sitting in London had any power north of the border, had told the Registrar that they would not be attending the hearing nor represented.

Mr Justice Russell, presiding over a United Kingdom Court that on occasion sits in Edinburgh and Belfast, granted injunctions against both companies, adding that they should be informed of the situation "not offensively in any way but factually."

HIRE PURCHASE

Beta for Effort

THE urgent need for extending official information about hire purchase agreements to provide a major forward indicator of consumer spending has been demonstrated pretty conclusively. Now, tentatively, the Board of Trade seems to be responding. In an article in the September issue of *Economic Trends** it ventures into a fuller analysis of its regular figures. The new presentation is a marked embellishment of the regular series. This analysis provides a subdivision of the new credit extended by finance houses between "mainly to business" and "mainly to personal consumers" (though there is still a substantial category "partly business," "partly personal"). A new table compares sales of motor cars in recent years with total instalment credit extended on new and used cars; the credit amounted to 60 per cent of sales in 1959 and 47 per cent in 1960—but net credit extended (that is total credit less estimated repayments) took up only one tenth of gross credit last year.

The official analysis goes on, encouragingly, to approach hire purchase from th

* HMISO, 3s.

A Quarter's Profits

The tables below summarise the profits and finances of the 546 companies whose full accounts were received and analysed in the office in the July-September quarter. The detailed tables appear on pages 182 and 183, and comments on them appear on page 15

PROFITS, PROVISIONS AND DEPRECIATION
(£'000)

	Reports published July to September, 1961		Reports published October, 1960, to September, 1961	
	546 Companies		2,307 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	402,543	431,634	2,504,545	2,759,814
Income from investments	19,488	21,997	142,228	164,235
Other current income	165	137	1,735	1,616
Non-recurring credits	12,123	10,297	72,805	50,670
Total Income	434,319	464,065	2,721,313	2,976,335
Depreciation	74,079	83,518	517,891	568,637
Income tax	121,811	127,340	750,321	818,749
Profits tax	26,372	35,375	147,370	193,587
Directors' emoluments	13,788	14,155	65,568	69,189
Administrative charges	4,757	6,073	18,898	24,522
Contingencies, and provisions, etc.	5,386	5,228	47,010	41,198
Pensions	3,299	3,018	33,314	35,872
Minority interests	6,821	6,440	31,130	33,866
Loan interest	10,788	13,172	73,135	81,159
Preference dividends	5,916	6,699	34,401	36,184
Profits retained by subsidiaries	35,824	31,229	189,947	187,723
Ordinary dividends	69,429	76,736	432,679	483,274
Reserves (parent company)	45,990	42,330	295,013	331,215
Brought in (parent company)	83,398	93,398	507,074	591,710
Carried forward (parent company) ..	93,398	106,150	591,710	662,870

ANALYSIS OF BALANCE SHEETS
Published July to September 1961 (£'000)

Capital Liabilities and Reserves	546 Companies		Assets	546 Companies	
	Previous Year	Latest Year		Previous Year	Latest Year
Capital:—			Fixed Assets:—		
Debtenture	218,510	253,883	Land, property and plant	1,644,156	1,885,870
Preference	173,259	179,943	Less depreciation	479,527	567,024
Ordinary	663,329	743,363			
	1,055,098	1,177,189			
Reserves and Surplus —				1,164,629	1,318,846
Capital reserves	292,584	358,544			
Revenue res. and carry forward	590,608	635,892			
			Trade Investments	114,457	112,315
Total Capital Reserves and Surplus	1,938,290	2,171,625			
Outside Interests in subsidiaries	89,895	91,531	Intangible Assets	101,478	128,939
Current Liabilities and Provisions —					
Bank overdrafts and loans	191,695	249,694	Current Assets:—		
Creditors	507,872	580,132	Stocks	674,172	793,687
Other current liabilities	180,087	209,713	Debtors	735,112	858,975
Future taxation	124,371	132,805	Gilt-edged security's Other marketable investments	18,149	17,197
Other provisions	35,302	36,025		50,763	54,263
	1,039,327	1,208,369	Cash	208,752	187,208
	3,067,512	3,471,525		1,686,948	1,911,495
				3,067,512	3,471,525

standpoint of the consumer: it makes estimates for each period of deposits and repayments, giving together "total cash outlay." It finds, interestingly, that whereas switches in official restrictions had dramatic effects on amounts of new credit advanced, they had comparatively little effect on total cash outlay—larger credit, for the most part,

CASH OUTLAY AND PERSONAL INCOME Consumer Instalment Credit Transactions in Durable Goods (£ million)

	Cash outlay			Cash outlays as percent of income	New credit to consumers	New credits as percent of income
	Deposits	Re-payments	Total			
1957	...	...	580	3.8	...	...
1958	164	431	595	3.7	531	3.3
1959	96	518	614	3.6	760	4.5
1960	112	611	723	4.0	638	3.5
1958 —						
1st qtr.	38	101	139	3.6	104	2.7
2nd "	46	104	150	3.7	118	2.9
3rd "	44	105	149	3.8	116	2.9
4th "	36	121	157	3.8	193	4.6
1959 —						
1st qtr.	21	123	144	3.7	167	4.2
2nd "	27	130	157	3.6	202	4.7
3rd "	25	128	153	3.6	194	4.6
4th "	23	137	160	3.6	197	4.4
1960 —						
1st qtr.	26	147	173	4.1	190	4.5
2nd "	32	153	185	4.0	176	3.8
3rd "	28	153	181	4.0	140	3.1
4th "	26	158	184	3.9	132	2.8
1961 —						
1st qtr.	31	163	194	4.3	150	3.3
2nd "	36	163	199	...	175	...

meant longer credit and lower deposits. It emerges that the proportion of disposable income laid out on instalment buying has remained pretty constant. This is one of the underlying assumptions made by Mr J. R. Cuthbertson in his analysis of car buying, which led him to conclude that the major influence on the starting of a new contract is the termination of an old one. But the other key element in the Cuthbertson analysis is the role of the trade-in;

WHERE HIRE PURCHASE COUNTS

	Personal disposable income	Yearly changes in Net borrowing on credit instalments (£ million)	Consumer spending on durables
1957	+ 725	+ 134	+ 121
1958	+ 585	+ 41	+ 150
1959	+ 868	+ 142	+ 196
1960	+ 1,272	- 215	+ 11

and on this the Board of Trade is utterly silent. It carries the analysis to the brink of a forward projection: and there, precipitately, it stops. "Given estimates of the future trend of disposable income," it says tantalisingly, "and of how much is likely to be pre-empted by way of repayments on past credit contracts, a forecast can be derived of what deposits are likely to be put down on new contracts." Can be, but is not. "The various stages in such a forecast pre-suppose some knowledge of the terms on which business is currently being transacted and has been transacted in the immediate past. . . ." The hire purchase companies themselves have that knowledge; could the Board of Trade not tap it?

BALANCE OF PAYMENTS

What Target for Trade?

THE big story in the Treasury's half-yearly white paper on the balance of payments was scooped last week by the Bank of England's quarterly bulletin, which provided the information about the Basle central banking credits necessary to show how the current deficit and the capital outflow in the first half of this year were financed. The figuring was done in these columns a week ago. The main interest in the white paper is in details of invisible transactions, in some important revisions of past figures—which for once have been generally in the right direction—and in the figures on the overseas sterling area. These show that in their current payments with non-sterling areas, the overseas sterling countries as a whole ran a deficit of £180 million in the first half of 1961—well below the high figure of £302 million in the seasonally adverse second half of 1960, but well above the deficit of £70 million in the first half of last year. The deterioration was more than offset, however, by a sharp rise in the inflow of non-sterling capital (including drawings on the International Monetary Fund), from £129 million in the first half of 1960 and £228 million in the second half to as much as £281 million in the first half of this year. The upshot was that the overseas sterling countries were able to make a net contribution to the London gold and dollar pool of £101 million, compared with a drawing of £74 million in the second half of 1960.

The accounts for the United Kingdom itself confirm the improvement in the current balance in the first half of 1961 that had already been evident in the monthly trade figures and quarterly payments estimates. The balance has probably improved further since mid-year; but the Treasury would be happier if more of the improvement were based on a rise in exports rather than a pause in imports. The balance of merchandise trade in the first half of 1961 still showed a deficit of £108 million, and this has to be turned into a substantial surplus. Just how substantial this surplus must be to restore stability to the balance of payments depends on two major elements which at present are in a state of flux: net invisible earnings on the one hand, and net overseas investment commitments on the other. Net outflows of long-term capital have recently been kept down by special transactions such as the Ford take-over and debt repayments by Germany: the gross outflow of private investment has in fact risen sharply, to no less than £195 million in the first half of 1961. The Chancellor has given notice of his intention to curb this strain on the balance of payments, and companies may now get their projects approved only if they arrange overseas borrowing to finance them. May such borrowing provide continuing relief even when the pause is over? Certainly Britain is now

beginning to find some offset to its own capital commitments overseas.

Better Value from Investments

EARNINGS from invisibles in the first half of 1961 were only £25 million—compared with £49 million in the first half of 1960. The deterioration was entirely due to increased aid and overseas military expenditure, notably in Germany, which Mr Lloyd says will now be checked. Some reassurance can also be derived from the statisticians' wider coverage of investment income, and notably interest on export credits, which suggests that Britain has in fact been getting better value from its overseas investments than previously appeared. Net receipts of interest, profits and dividends for 1960 are revised upward from £179 million to £238 million. (These figures include the unremitted portion of investment earnings, but the figures which the Board of Trade published last week suggested that the unremitted portion actually fell in 1960. In the first half of 1961, net investment income is estimated to have risen to £143 million. The main element is a rise of £32 million to £158 million between the first half of 1960 and 1961 in "other credits" including the income of the oil companies. This hardly squares with the fall in profits reported by the major companies, and the improvement may simply reflect the cut in overseas taxation per barrel of oil sold that resulted from the change in posted prices in the Middle East between the first and second halves of 1960.

Optimism about the invisibles is also checked by still more unfavourable estimates for shipping. The net debit for 1960 is now put as high as £58 million, and it continued at the same rate in the first half of 1961. Expensive charters taken at the time of Suez continue to be an unfavourable influence, but the big factor is presumably the shrinking portion of trade—including Britain's trade—carried in British ships. There is also a downward revision of the freight element in the cif trade figures, which slightly increases the trade deficit as shown on the Treasury's fob basis.

All these revisions more or less cancelled themselves out in 1960, so that the estimate of that year's current deficit fell by only £5 million to £339 million, leaving the balancing item only £13 million down at £364 million. But for 1959 and 1960 the statisticians have now decided that a fair part of their unknown receipts in the balancing item were in fact current receipts, and the persistence of a large positive balancing item in the first half of this year, when short-term capital was clearly flowing out, seems to confirm that there is a built-in understatement of current earnings.

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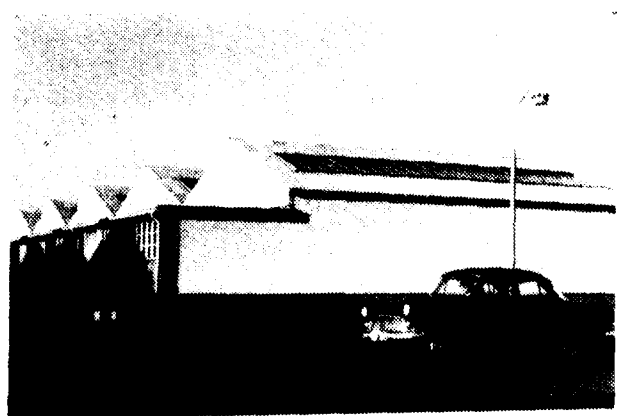
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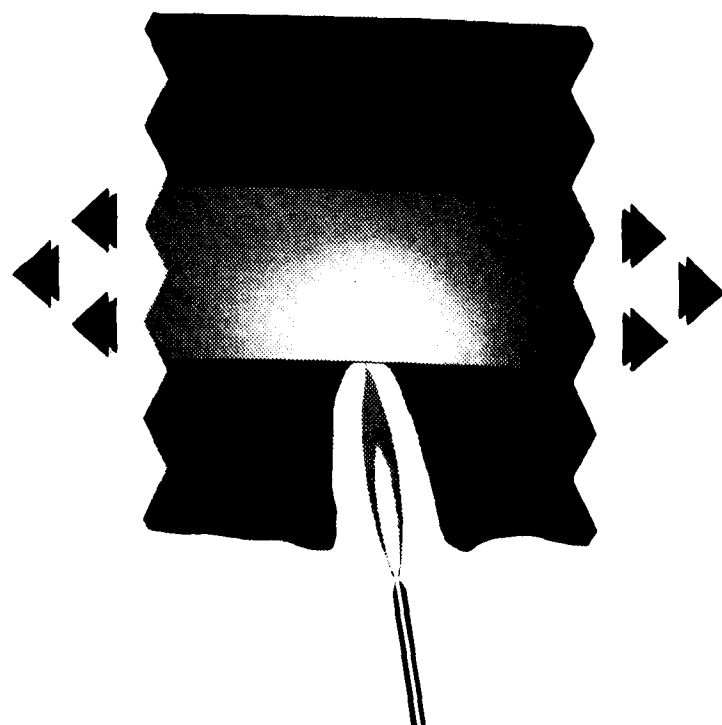
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Chubb counter the crime wave

certainly official sources of current debits are more comprehensive than those of current credits, though the Treasury is now trying to remedy this by direct enquiry. Meanwhile, the balancing item remains the joker in Britain's balance of payments, and much thought is devoted to its likely trend. But as one Treasury official declared gravely this week: "We are not prepared, at this stage, to forecast what our future errors and omissions will be."

JAGUAR

For Plutocrats and Plebs

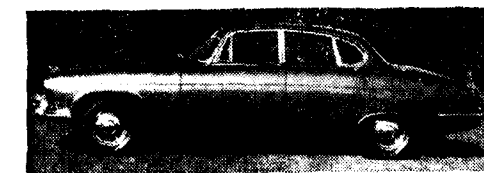
JAGUAR has chosen the same week to announce its new luxury car, the Mark X, and to buy the moribund firm of bus and lorry makers, Guy, from the receiver in bankruptcy. The Mark X replaces the Mark IX as Jaguar's contribution to the luxury car market; after ten years in production, the old car was becoming somewhat dated. The Mark X is just as big as the Mark IX in all dimensions except height—it is only 4 ft. 6 in. high but 16 ft. 4 in. long. In design the car shares the main features of the E-type sports car; the engine is also the 265 bhp version of the 3.8 litre, and the same independent rear suspension system is used. This should provide a useful improvement in handling qualities and ride. The performance of the Mark X is roughly the same as that of the present

RAIL V. AIR

Three Guinea War

THE British Transport Commission has in the past had to fume impotently under increasing competition from internal air services that made it possible to commute daily between London and points in Scotland and Northern Ireland for a fare that, in winter at least, was no more than a first-class rail ticket. The creation of the Air Transport Licensing Board to hear applications for, and objections to, new air services has provided the BTC with its first real opportunity to scotch this competition and it has chosen its ground for a major show-down with British European Airways with formidable care. BEA wants to run a nightly mail and newspaper service in both directions between London and Belfast, Glasgow and Edinburgh, leaving shortly before midnight and arriving between 1 and 2 a.m. To make this service pay, it will be necessary to carry rather more passengers than might normally use night services during winter and BEA has plans to attract them with a flat-rate single fare of £3 3s. between November and April.

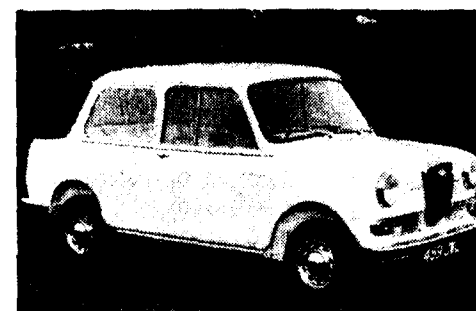
This is lower than the second class rail fares, which range up to 72s. though with bus fare added, there is little difference beyond the saving in time. The BTC seems to have no doubt where the traveller's choice will lie and it has protested loudly to the Air Transport Licensing Board at "unfair"



is certainly anxious to extend the commercial vehicle interests that it acquired with Daimler, which also specialises on buses; it must be assumed that it intends to amalgamate the activities of these two companies. The production facilities of Guy are mainly useful for assembly; the firm used to buy out a large proportion of the parts of its vehicles, which may be one reason for its commercial troubles. But at the £900,000 that Jaguar is reported to have paid, these facilities may be cheap.

NEW CARS

The High Price of Walnut



THE British Motor Corporation has followed almost its prewar practice this year in modifying most of the models in its range for the Motor Show, while adding yet more variants to its range of baby cars and raising some prices. All the models in its Farina range have had their track widened or their wheelbase lengthened to improve their ride and cornering—something that was much needed with the popular 1½ litre models. An anti-roll bar has been added to the front suspension of the 1½ litre cars and of the A40, and the rear springs modified. The power output of their engines has been increased at the same time; on the A40 the carburettor and inlet manifold have been changed, raising power from

34 to 37 bhp, but on the 1½ litre cars the engine has been enlarged to 1,600 cc and bigger valves fitted, putting the power up from 53 bhp to 61 bhp. So the A55 now becomes the A60; and, to take advantage of the extra power, the top gear ratio has been raised. Externally the cars have received a face-lift to make them recognisable from the old models and somewhat to reduce the angularity of the original Farina bodies. The price of the A40 is unchanged, but that of the 1.6 litre cars goes up by £20. The big six cylinder models too have had their engine power increased and their wheelbase lengthened: prices go up by £60.

The most interesting technical innovation this year in the BMC range is the

adoption of the new Borg-Warner automatic transmission on the 1.6 litre range, for an extra cost of only £99 including purchase tax—£29 less than Smiths automatic transmission on the Hillman Minx. This new transmission has appeared after several years of development, and is intended for cars of from 1½ to 2½ litres capacity—it is being made in the United States as well as in Britain and there used in the Rambler.

BMC has also put Riley and Wolseley radiator grilles on its baby cars so that these can now be sold by nearly all the dealers in its network. It is assuming that there is a section of the public that likes its baby cars, but will only buy a car if it has a traditional look and some more chromium. This trimming, which may seem to some a negation of the Mini's utilitarian design, will cost such a buyer £80 extra for the Wolseley and £100 more for the Riley, which has a walnut fascia. At the same time the price of the basic and de luxe versions of the Minis goes up by £10, though the only changes are more colours and a plated grille for the Mini-Minor; BMC no doubt wants to improve the margins on its biggest-selling lines.

competition. The BTC may have its eye as much on the mail and newspaper traffic as on passengers in making this stand; it is quite right in suspecting that BEA has worked out the new fare on a marginal basis, balancing it against the mail and newspaper contracts that it hopes to negotiate. If BEA is refused a three guinea fare, it may have to drop the negotiations for new night services. In that case the BTC would have killed a number of troublesome birds with one shot.

The issue turns, not on what is good for the passengers, but on whether the licensing board, set up solely to deal with air traffic, is under any obligation to allow for the effect of air competition on other forms of transport. BEA says that it is not, but the Transport Commission has suggested that if the licensing board were to decide in favour of BEA, it would take the point to a higher court. If a legal battle develops, there would be little chance of starting the service on November 1st and the railways would win an important delaying action. They are not fighting so much for the few shillings difference between the old and new fares as for the principle that a new, thrusting form of transport should hold back in deference to its older, slower and apparently less competitive elders.

BANK NOTES

Six Million a Day

THIS week the new ten shilling note goes into circulation. It is the second bank note in the Bank of England's new series and in design it is little different—unfortunately—from the one pound note, using the same three-quarter face portrait of the Queen. The note has a continuous watermark in readiness for production on a continuous roll of paper instead of separate sheets, a process discussed in an article on bank note printing in the Bank's latest quarterly bulletin.

There are, the Bank says, some 1,500 million notes circulating in the United Kingdom at present, weighing some 1,500 tons—surely a new entry for weights and measures tables. To keep these notes clean and serviceable the Bank's printing presses turn out six million notes every working day. Zurich need not suspect hyper-inflation: another six million dirty notes are withdrawn from circulation by the commercial banks. This means that the note issue is completely replaced about once a year. In fact the average life of each note is only about 14 months. The ten shilling note lasts for a mere six months, the pound note for just over a year, and the five pound note for nearly two years. Thus, although 452 million ten shilling notes were issued in 1960, against 112 million five pound notes, there are now nearly as many five pound notes in circulation as ten shilling notes.

The £5 note has gained rapid popularity since the new note was introduced in 1957, and it now accounts for more than 40 per

cent of the value of all notes in circulation. But the Bank itself points out that some other countries have twice as high a percentage of their notes in this or larger denominations. The Bank therefore has to do far more work than should be necessary to keep the public supplied with its notes. Yet while the Bank has made impressive progress in developing new printing machinery designed eventually to produce notes "untouched by hand," production of new bank notes still takes many years. The earliest date that it can offer the new £5 note in the "Queen's portrait" series is 1963—and, more regrettably, no date at all can be put on the issue of the promised £10 note.

COPPER

Market Influences

SINCE dealings in copper were resumed on the London Metal Exchange in August, 1953, the prices fixed there have not been to everyone's liking. Excluding France and Belgium, they remain nevertheless the basis for settling most transactions in copper in the free world outside the United States. Sir Ronald Prain, the chairman of the Rhodesian Selection Trust group, was never one of the Exchange's most enthusiastic supporters: he said in London last April that the output restrictions the copper companies have been forced to retain should be based on statistical rather than market factors. But there can be more than one view about statistics and despite lengthy consultations between consumers and producers the sort of negotiating machinery that could reconcile these opinions has not yet been evolved.

In setting its 1962-63 bulk supply tariff for electricity—the price at which it sells power wholesale from the grid to area electricity boards—the Central Electricity Board this week made significant alterations in the way that it charges these boards a "kilowatt charge" related to maximum demand, and introduced a differential in its unit charges for power consumed, as between night and day supplies.

Schweppes is to raise £3 million by a one for twelve rights issue of 5s. ordinary shares at 26s. per share. Before the news of the issue the 5s. shares fell back from 34s. 6d. to 31s. 6d., to make the rights worth 5d.

Nothing came of this week's meeting of the International Tin Council. As expected, producing countries were unanimous in favour of raising the support price for tin within the agreement. For reasons dis-

Failing that, the London market gives the best reconciliation of people's independent readings of the statistical evidence. On the evidence before it, the market broke sharply in the middle of last month after a period of relative stability. By Monday of last week cash copper was down to £220 a ton following the announcement of a rise in copper held in London Metal Exchange warehouses to 22,600 tons. Since then a producer who was evidently prepared to quarrel with the market's prevailing view about copper has become a substantial buyer of the metal: in market parlance, "an influential buyer" bought several thousand tons of the metal when prices cracked and has since supported the market intermittently, touching off a recovery in cash copper to £230 a ton.

Sir Ronald Prain's group was thought to have been responsible for the "influential buying" of copper that occurred just over a year ago. That intervention was largely unsuccessful, unlike the support that was given when copper dropped to £160 a ton in 1958. Then the market was ripe for recovery, but the timing of last year's intervention was less fortunate and the buying was mainly of forward copper which gave those who took a dim view of copper's prospects the opportunity to sell forward in the hope that they could later cover their transactions by buying when copper prices fell.

On this occasion the buying has been of cash copper, so that only those who have copper to sell could counteract the special buyer in the market, but the premium on metal for forward delivery, which earlier was £4 a ton, disappeared completely. However, one man's view cannot prevail indefinitely against the market; it will be proved right or wrong by the subsequent course of prices.

SHORTER NOTES

cussed in last week's issue, consumers claimed that this was the wrong time to alter the agreement's price range and voted overwhelmingly against the producers' proposal. The matter will be raised again at the next meeting of the Tin Council in February.

COMPANY AFFAIRS

Comments on pages 178 and 179 on:
Babcock and Wilcox United Drapery
United Glass Sunday Pictorial
Second Covent Garden Hallmark Securities
United Real Property Galfaher
Thos. W. Ward "Rhoangio"
Rhodesian Selection Trust

LONDON AND NEW YORK

Stock prices, yields and security indices on pages 180 and 181

LONDON STOCK EXCHANGE

The week's movements reported on page 179

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 184

COMPANY MEETINGS



Italian Airlines S.p.A.—Rome

CAPITAL LIT. 25,000,000,000

ANNUAL GENERAL MEETING

The Annual General Meeting of ALITALIA was held on June 22, 1961, at the Head Office of the Company at 92 Viale Maresciallo Pilsudski, Rome, with Count Dr. Nicolò Carandini presiding.

The meeting approved the Balance Sheet as at December 31, 1960, which shows a net profit of Lit. 110,597,259.

The report of the Board of Directors to the shareholders draws particular attention to the fact that the year 1960 marked the entry of the Company into a new era of commercial aviation, when ALITALIA joined the small number of major air-transport companies which, in 1959, had begun to use jet aircraft.

Commencing in May, 1960, and gradually throughout that year, a total of eight jet aircraft were put into service, comprising four DC-8 long-range types and four medium-range Caravelles.

During the current year ALITALIA will have available three additional DC-8s and six Caravelles and in the first months of 1962 three more DC-8s and four Caravelles.

At December 31, 1960, the Company's fleet consisted of the following units:

DC-8.....	4	DC-6.....	3
Caravelle....	4	Viscount....	14
DC-7C.....	5	Convair.....	6
DC-68.....	8	DC-3.....	4
		Total...	48

During the year, a new link with Canada (Montreal) was established in connection with the New York service, as well as new services linking Italy with Egypt (Cairo), with Czecho-

slovakia (Prague) and with Holland (Amsterdam). In addition two DC-7Cs have been adapted for freight carrying and are already in service on the following routes:

Rome/Turin/Milan—London—New York
Rome—Beirut—Teheran
Rome—Tripoli

The expanding requirements connected with the training of aircrews in every sphere of duty were met by the construction of a suitable building at Fiumicino Airport. Designed to accommodate flight simulators for DC-8s, Caravelles and Viscounts, it will constitute a modern and fully equipped training centre.

Within the framework of a vigorous commercial policy, several new traffic agreements were concluded, thereby strengthening the structure of the Company's concession agreements. New agencies were created, new centres of representation and production established, and the network of agents was also strengthened, particularly in the Far East.

In order to satisfy the growing demands of traffic and to maintain the constant high quality of the service on board that is a traditional characteristic of ALITALIA, the Company has almost completed a new building at Fiumicino that will house the catering organisation with its up-to-date methods for the efficient preparation of meals to be served in flight.

The workshops were supplied with all the adequate equipment. At the same time, the technical services were intensively occupied with the transfer of the maintenance shops and associated stores to the large new hangar at Fiumicino. The overhaul shops have remained at Ciampino Airport, awaiting transfer to

Fiumicino on the completion of additional hangars now under construction.

The administrative department adapted itself to the complex demands imposed by the new methods and the consequent expansion of the Company's business. The innovations introduced and the increasingly diversified operations carried out were facilitated particularly by the timely acquisition by the Company of a modern IBM-7070 electronic computer.

The report underlines the opinion that, allowing for administrative difficulties, the economic results achieved in 1960 may be regarded with satisfaction. The increase in gross income over the 1959 figure is shown in Table III, which also indicates the movement of corresponding incomes in the last few years. It is significant that foreign currency accounts for 63.8 per cent of this income.

THE PROFIT AND LOSS ACCOUNT FOR 1960 is summarised in the following figures:

Traffic income.....	Lit. 44,481,688,193
Income from various sources.....	.. 2,242,280,301
Total income.....	Lit. 46,723,968,494
General operating expenses.....	.. 41,520,780,979
Balance.....	Lit. 5,203,187,515
Sinking fund.....	.. 5,092,590,256
Net profit.....	Lit. 110,597,259

Reviewing the Company's assets, the report draws attention to the considerable investments effected during the year. In fact, the items relating to the fleet and to the fixed assets reached the outstanding figure of about Lit. 78,000 million. In the previous year the same items totalled about Lit. 47,000 million.

The report also points out that the increase in authorised capital from Lit. 20,000 million to Lit. 25,000 million, decided upon in 1960, was fully subscribed; the first six-tenths of this increase were paid up early in 1961.

The Sinking Fund stands at about Lit. 18,000 million. Contingent liabilities amount to Lit. 10,000 million, and liabilities to financial institutions total about Lit. 30,000 million.

Finally, the Company extends its warm thanks to all those who have contributed to the development of Italian civil aviation, to the Ministries of State Participation and of Defence and Civil Aviation, to the Istituto per la Ricostruzione Industriale, ever attentive to the problems confronting the industry, and to the various economic and financial bodies with which ALITALIA has relations.

TABLE III. GROSS INCOME FROM TRAFFIC

	1956	1957	1958	1959	1960
In Lit. m.	8,134	12,986	26,138	35,033	44,481
Increase %...	29.6	59.6	101.2	34.0	26.9

TABLE I.—SUMMARY OF OPERATIONS IN 1959 AND 1960

	1959	1960	Increase %
Kilometres flown.....	34,859,346	37,629,333	7.9
Passengers.....	849,644	1,099,668	29.4
Passengers..... pass./km.	1,039,395,743	1,338,812,912	28.8
Seat/km. offered.....	1,854,031,370	2,321,710,546	25.2
Baggage carried..... kg.	842,800	968,616	14.9
Baggage carried..... ton/km.	1,137,744	1,281,871	12.7
Mail carried..... kg.	3,325,062	3,984,889	19.8
Mail carried..... ton/km.	5,947,144	6,645,322	11.7
Freight carried..... kg.	8,658,703	12,062,241	39.3
Freight carried..... ton/km.	13,717,194	19,864,761	44.8
Total ton/km. carried.....	114,718,788	148,575,063	29.5
Total ton/km. offered.....	211,580,471	271,593,434	28.4
Passenger load factor..... %	56.1	57.7	2.9
Overall load factor..... %	54.6	55.6	1.8

TABLE II.—INCREASE IN PRODUCTION AND SALES OVER PRECEDING YEARS

	Production (ton/km. offered)	Increase over preceding year %	Sales (ton/km. flown)	Increase over preceding year %
1956.....	45,917,954	22.5	25,542,164	23.7
1957.....	71,295,108	55.4	40,712,120	59.4
1958.....	157,306,037	121.4	82,332,759	102.2
1959.....	210,151,218	33.3	114,718,788	39.3
1960.....	267,389,880	27.2	148,575,063	29.5



MANUFACTURERS HANOVER TRUST COMPANY • New York

Statement of Condition, September 30, 1961

ASSETS		LIABILITIES	
Cash and Due from Banks	\$1,559,523,638	Deposits	\$5,073,312,668
U. S. Government Obligations	1,232,387,283	Acceptances	185,829,854
State, Municipal and Public Securities	341,193,825	Reserve for Taxes, Accrued	
Other Securities	41,937,087	Expenses, etc.	64,900,017
Loans	2,312,171,218	Dividend Payable October 2, 1961	5,859,333
U. S. Government Insured		Other Liabilities	8,405,385
F.H.A. Mortgages	79,122,790	Reserve for Possible Loan Losses	75,773,317
Other Mortgages	59,766,804	Capital Funds:	
Banking Premises and Equipment	36,903,240	Capital Stock	
Customers' Liability on Acceptances	177,111,581	(\$15 Par)	\$175,780,005
Accrued Interest and Other Assets	24,007,344	Surplus	200,000,000
	<u>\$5,864,124,810</u>	Undivided Profits	74,264,231
			<u>450,044,236</u>
			<u>\$5,864,124,810</u>

U. S. Government obligations and other securities carried at \$239,846,633 were pledged for various purposes as required or permitted by law.

International Division: 55 BROAD STREET, NEW YORK

Member Federal Deposit Insurance Corporation

Overseas Branches: 7 Princes Street, E. C. 2; 10 Mount Street, W. 1, London

Representative Offices: Paris, Frankfurt am Main, Rome, Tokyo, Beirut, Manila

Incorporated with Limited Liability in U. S. A.

ROMAC INDUSTRIES

The thirty-sixth annual meeting of Romac Industries Limited was held on October 6th in London. Mr R. D. Boyce (the chairman) presiding said:

Despite our problems, the turnover of your Company shows an advance, both at Home and Abroad, and is reflected in the increased Trading Profit of £54,933 compared with £51,965. The Final Net Profit after taxation (£27,386) remains in the neighbourhood of last year's figure, which was the highest obtained in the Company's history.

Our Cable Division continues to expand.

Reception of the Company's B.S.I. "Kite-mark" range of Car Seat Safety Belts has been most gratifying.

During the year under review an Equipment Division was formed to deal with heavy vulcanising plant. This, too, has made a good start.

The Company is about to introduce on a large scale a new range of "Motorway" patches to meet modern standards of high speed road travel. There is encouraging indication that this new product will be beneficial to the Company both at Home and in the Export field.

Referring to the current year, the Chairman said: With the knowledge I have of the new projects in hand, the sound and, indeed, very low book valuation of the Company's Fixed Assets, and the stability of its finance, I feel we will at least hold our own.

The report was adopted and a total distribution of 27½ per cent for the year was approved.

THE DOXFORD & SUNDERLAND SHIPBUILDING & ENGINEERING CO. LIMITED

SUBSTANTIAL BENEFITS ENVISAGED FROM MERGER

The annual general meeting of The Doxford & Sunderland Shipbuilding & Engineering Co., Limited, will be held on October 31st in London.

The following is an extract from the circulated statement of the chairman, Dr. J. Ramsay Gebbie, CBE.

The merger with The Sunderland Shipbuilding Dry Docks and Engineering Company Limited (The Sunderland Group) became effective on the 6th June, 1961. Your Board is confident that in the long run the merger will prove of great benefit to the group and therefore to the company's stockholders.

The consolidated balance sheet shows the united strength of the two groups now merged with net assets in excess of £12,000,000.

In view of the intense competition from shipyards and engineering works both at home and abroad it is clear to your directors that further considerable capital expenditure will have to be made in the next few years.

The further and rapid development of the Doxford oil engine is clearly a matter of major importance and will entail heavy outlay so that

the maintenance of ample resources is essential.

During the year our three shipyards and the Doxford engine works have continued to work at high capacity.

Eight of the new Doxford "P" engines are now in service and they show every prospect of being completely successful. A considerable number of these engines are now under construction or on order with ourselves and some of our licensees.

We are proceeding with all possible speed with the design and construction of a further new type of engine designed to give ultimately power of up to about 25,000 b.h.p.

Major reconstruction schemes at Joseph L. Thompson's shipyard are now complete and will permit the building of tankers up to 100,000 tons deadweight.

New plater's and welding sheds are being built at Sir James Laing's shipyard.

All our shipyards and the engine works have received a number of new orders during the year and all of them will be well occupied during the current financial year, whilst a considerable number of orders are also on our books for the following year.

The prices at which orders are now obtainable, however, leave little or no margin for profit and where deferred terms of payment have to be conceded there is a substantial time-lag before final payment. In these circumstances it is to be expected that there will be a further reduction in profits for 1961/1962.

Much hard work and thought will be needed to obtain the best results from the enlarged group but we have a team of highly experienced executives who are well qualified and capable of tackling all the difficult problems ahead.

INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA LTD.

SUMMARY OF ANNUAL REPORTS

Dr H. J. van Eck, the Chairman of the Industrial Development Corporation, presided in Johannesburg on October 9, 1961, at its 22nd Ordinary General Meeting.

The following are the main points from the Corporation's Annual Report and the Chairman's Statement:

The Corporation's issued capital on June 30th was R117,284,000. Operating profits, before tax, for the year amounted to R1,269,000, from which R1,040,441 was appropriated to Reserves, bringing the accumulated reserves at the year end to R6,725,000. Investments increased by R4,740,000 to R136,854,000.

The Statement dealt at some length with the Corporation's policy towards applications and again stressed the importance of "economic merit" which was a statutory prerequisite to every proposal considered. The IDC was designed primarily to champion private enterprise and generally could not provide an unduly large proportion of the capital required for any project. It was contrary to its policy to control the companies assisted by it and it normally limited its participation to a minority interest. It regarded the ability to earn reasonable profits as the yardstick of an efficient enterprise and had to satisfy itself that competent management was available.

More applications were received than in any previous year and the resultant commitment aggregated R12,344,000, a new record for the Corporation, excluding certain periods when Sasol and Foskor were involved.

In dealing with the future outlook in South Africa, the Chairman referred to the slackening in the tempo of industrial development which had become apparent a few years ago and which had coincided with, amongst other factors, the completion of a programme of large-scale mining and railway development. A period of consolidation had followed which had been taken advantage of by many industries to lay plans for future expansion. The operating results of the majority of the Corporation's associated companies showed increased turnovers and profits in their last financial year. This suggested that business conditions generally favoured the implementation of these expansion schemes.

In Dr van Eck's view South Africa could look forward to an improvement in her monetary situation and in internal liquidity during the immediately foreseeable months. This factor should exert a beneficial influence on the general business outlook.

INDUSTRIAL ESTATES

The statement concluded with a reference to the establishment by the IDC of its first industrial estate. This was being operated under the aegis of a wholly-owned subsidiary, Elangeni Estates (Pty.) Limited, which had acquired ground at Hammarsdale on the border of the Umlaas Bantu Reserve, where industrialists could lease factories, erected to their specifications, on reasonable terms with an option of renewal or outright purchase.



THE RANK ORGANISATION

A YEAR OF PROGRESS AND DEVELOPMENT

In his Statement for the 52 weeks ended 24th June, 1961, The Lord Rank described the past year as an important one in the history of the Organisation. There have been substantial changes in the Group structure, and considerable developments in the scope of the Group's activities, particularly in the non-cinema interests.

RESULTS FOR 1960/61

Group profit before taxation was £5,082,240 compared with £4,002,764 last year.

The proposed final ordinary dividend of 15% as forecast, payable on the increased capital, together with the interim dividend of 7½%—making 22½% in all—compares with 15% last year, and absorbs £441,106 as against £230,371.

Group exports were in excess of £7,500,000.

FILM PRODUCTION, DISTRIBUTION AND EXHIBITION

Pinewood films produced and released during the year made an overall profit, and more than 45% of net earnings were secured abroad.

Attendances at Group theatres showed a slight upward tendency in the latter half of the year—although it is too early to say that the decline has been permanently arrested.

The theatre rationalisation and modernisation programmes have continued. A phase of redevelopment, incorporating cinemas in the re-developed properties, has begun.

NON-THEATRICAL ENTERTAINMENT AND ALLIED ACTIVITIES

Expansion of Ballrooms and Dance Studios, and the Group's first ventures into Tenpin Bowling and Health Clubs, have all proved successful. Further developments are planned in all these fields, and also in catering. The gross dividend received this year from Southern Television was £276,120 as against £184,080 last year.

TELEVISION RETAIL AND RELAY

New relay franchises have been obtained in addition to those already operated, and 'Choiceview'—the joint venture with Rediffusion Limited into Pay-TV—has reached the stage at which a field trial could be carried out. The number of 'Visda' shops, retailing television, radio and consumer durable goods, has been slowly expanded.

INDUSTRIAL AND COMMERCIAL ENTERPRISES

RANK-XEROX has a great and important part to play in the Group's future. It is now in profit, and its growth amply confirms the belief we have always had in its potentialities.

RANK PRECISION INDUSTRIES has continued to develop. Heavy capital commitments have required a conservative dividend policy.

In common with other manufacturers of television sets—although to a lesser degree than most—BUSH RADIO experienced a marked decline in profits, but profits from manufacturing activities other than of television receivers continue to grow. The pioneering work of RANK CINTEL in colour television has placed it in a strong position in this market, and important developments in aircraft instrumentation have been made.

THE FUTURE

23% of Group Profits were derived from manufacturing and miscellaneous activities in 1961, which I anticipate will increase in 1961/62. I firmly believe that on our present foundation we are entitled to look forward to steadily increasing profits in the next few years providing that our programme and trading operations are not adversely affected by factors outside our control.

At the close of the Annual General Meeting the Deputy Chairman and Managing Director, Mr. John Davis, announced that proposals were being submitted to shareholders, the effect of which would, if adopted, make Gaumont British a wholly owned subsidiary company of The Rank Organisation.

A copy of the Chairman's full statement and Annual Accounts may be obtained from The Rank Organisation Limited, 38, South Street, London, W.1.



RÉGIE NATIONALE DES USINES RENAULT

BILLANCOURT, FRANCE

INTERNATIONAL COMPETITION IN EXPORTS

The report for 1960 of the Régie Nationale Des Usines was recently presented by **Monsieur Pierre Dreyfus**, chairman and managing director. The following are extracts from his introductory statement:

The year 1960 was marked by a stiffening in International Competition. In the United States this increase in competition was most severe. European manufacturers exported to the United States only 444,000 vehicles in 1960 compared with 668,000 in 1959; the fall in exports was concentrated in the second half of the year, on the other hand, in European Markets a keener struggle developed. The heightening of competition in European markets was in part hidden by the overall increase in production (Germany: 18 per cent; Italy: 51 per cent).

The strengthening of competition was, nevertheless, evidenced by such signs as the almost general disappearance of delivery delays, price reductions and the introduction of numerous new models. From the Autumn of 1960, it was apparent to manufacturers involved in world-wide competition that in the winter of 1960/61 they would have to mark time.

This was the situation in which the large American companies found themselves: after having broken production records in the first half of 1960 they had in September a stock of unsold vehicles exceeding 1,000,000 which is far from being eliminated in the middle of 1961.

As a result of this in the earlier months of this year, there were shut-downs and dismissals which had the effect of cutting down American production by an average of more than 40 per cent in the first quarter of 1961, compared with the same period in 1960. [British manufacturers have been in a similar predicament and have had to reduce the number of their employees and cut down their working week from five days to two or three days over a period of several weeks.]

Renault, being involved in export markets since it was a national necessity and because the company is convinced that it is only those who succeed in developing outside French territory who will be able to stand up to future competition, has suffered the consequences of the present situation and the stiffening of competition.

The 1960 results must be assessed in the light of these facts. In 1960 the company produced 542,920 motor vehicles and 16,207 agricultural tractors and thus maintained its place as sixth largest world manufacturer, it sold within the metropolitan area 214,138 private cars and industrial vehicles, that is 15.8 per cent more than in 1959.

EXPORT MARKETS

Exports from the metropolitan area were slightly lower than in 1959. In 1960 as a whole deliveries by the company outside the metropolitan area amounted to 297,514 private cars and industrial vehicles which is 54.79 per cent of the company's production and 51.2 per cent of French exports. In the United States the company remained the second largest European exporter by a substantial margin. The company

exported 52.4 per cent of French exports to the Common Market and 59.2 per cent of French exports to EFTA countries and 61.7 per cent of those to Latin America. The standing which Renault has acquired outside France is firmly based; the results for 1961 will confirm this, for the company continues to export more than half the French cars sold outside France.

Of course, Renault like most of the world-wide automobile companies has known difficulties in the trading year 1960-61, but these difficulties will perhaps have had the benefit of clarifying certain issues.

First, exports, and particularly bulk exports, are more than ever a national necessity. It is essential that French industry, and especially the car industry, should continue to earn the currency needed by France. That is all the more essential since, as customs barriers are rapidly being lowered, France is becoming, at a speed unimaginable only two years ago, a large importer of manufactured goods.

In 1959 our imports of cars totalled some 11,000. In 1960 they rose to 25,000. They will probably amount to 60,000 in 1961, although the distribution networks of the majority of the large foreign firms (in France) are not yet very concentrated and the international Common Market tariff is still 18 per cent and our external tariff—that is against such large producing countries as the UK and the USA—is 29 per cent.

Customs barriers will continue to be lowered and Europe will become the chosen area for competition, in which the European and American firms will concentrate all the weight of their industrial, commercial and, most important of all, financial strength. French manufacturers will soon have to put as much effort into maintaining their positions in the national market as upon winning foreign markets.

Second, it is essential to appreciate that the French economy would be incapable of standing up to world competition if it clung to its old ways. The only way of resisting effectively is to achieve maximum flexibility in our business efforts. In the car industry in particular, we cannot expect as in the last 15 years a steady advance in production and sales of all firms at the same time. Necessarily, there will be peaks and troughs, either for the whole industry or for a particular firm at a given time. What is true now for this competitive industry will soon be true for the others. [Of course, it is possible to alleviate to some extent the consequences of these variations, but it is impossible to eliminate them altogether as they are part of the rules of the game which the countries of the Western world have imposed upon themselves.] The removal of trade barriers [between these countries] is perhaps the way to speed up the raising of our standard of living as well as of those underdeveloped countries which we must aid, but whether we wish it or not, it implies a capacity for rapid adaptation to competitive fluctuations and a great degree of flexibility. Competition is not trench warfare. It is a war of rapid movement. The worst illusion would be to fail to recognise this. To prepare for unavoidable changes is the first task.

THE KETTON PORTLAND CEMENT CO. LTD.

The Thirty-third Annual General Meeting of The Ketton Portland Cement Co. Ltd., was held on October 12th at Albion Works, Sheffield. The Chairman, **Mr H. W. Secker, OBE**, presided, and in his report, already circulated, said:

Our deliveries were 326,506 tons compared with 337,854 tons last year, and this is the second highest figure obtained by the Company.

The profit for the year, before tax, is £440,090 compared with £407,932, an increase of £32,158, which has been influenced by a change in the basis for computing depreciation, to which I refer later.

INCREASED PROFIT

Taxation at £196,000 is £13,000 less than for the previous year owing to the influence of Investment Allowances. The profit after tax is £244,090, an increase of £45,158.

Your Directors recommend a Final Dividend of 15 per cent on the ordinary shares, making, with the Interim Dividend of 5 per cent already paid, a total of 20 per cent less tax. Holders of 7½ per cent participating preference shares will be entitled to the half-year's dividend of 3½ per cent and an additional participation of £6 8s. per cent, in accordance with the terms of issue.

We propose to allocate £150,119 to General Reserve, which will then stand at £500,000, and after payment of the proposed dividends the amount to be carried forward will be £260,857, an increase of £4,607 over last year.

The charge for depreciation is £102,163 compared with £139,393 for the previous year. This follows from the change made in the basis for computing depreciation. In recent years this charge was calculated on a fixed rate per ton of cement produced, but to accord with more general practice the depreciation charge for the year under review has been based on percentage rates of depreciation applied to the various categories of assets on a "straight line" basis. Although this has resulted in a temporary decrease in the annual charge it will be appreciated that on the completion of the 5th unit there will be a considerable increase in the annual charge for depreciation in future years.

Additions to the fixed assets in the past year amount to £335,827, which includes £271,309 related to the installation of the 5th unit.

Your Company's liquid position is satisfactory, but Current Assets exceed Current Liabilities by some £956,000.

NEW PLANT

The plant, buildings and machinery have been maintained at a high standard, and in other directions the past year has been one of preparation for a 5th unit.

Extensions at Ribblesdale Cement Ltd., which is jointly owned by ourselves and the Tunnel Portland Cement Co. Ltd., were substantially completed in the Spring and a 50 per cent increase in output is now being fully absorbed.

It is a pleasure to refer to the conscientious and willing services of our workpeople, staff and management, and the sales staff of our sole selling agents, Thos. W. Ward Ltd.

The report and accounts were adopted and the retiring director, Mr. F. W. Robinson, was re-elected.

HECHT, LEVIS & KAHN

(Merchants in Raw Rubber and Other Commodities)

A MORE PROFITABLE YEAR

The thirty-sixth annual general meeting of Hecht, Levis & Kahn, Ltd, was held on October 6th in London, Sir James Helmore, KCB, KCMG (the chairman), presiding.

The following is an extract from his circulated statement:

Towards the end of my statement last year, I said that prospects seemed favourable. In the result, the profits of the group, before tax and before deducting minority interests, rose from £410,875 to £567,828. This was due to maintenance of their substantial contribution to the group's earnings by the S.A.F.I.C. group of companies, the elimination of the severe losses incurred in the Far East in the previous year and profitable use by the parent company of its increased liquid funds. The net profit available for appropriation is £168,460 as compared with £123,755.

In these circumstances, and having in mind the strong liquid position of the group, the Board would have wished to give consideration to an increase in the rate of dividend. Having regard, however, to the Chancellor's wishes, we are proposing a dividend of 15 per cent (same).

The results of S.A.F.I.C.'s trading speak well for the skill and knowledge of those responsible; the French market for natural rubber becomes more difficult every year not least because of the competition of synthetic rubber produced in Europe and sold direct by the producers. This development in the context of the Common Market means that we can no longer look for increased profits from rubber dealing by S.A.F.I.C. and its efforts to find new lines of activity are therefore being intensified. One such effort is the 25 per cent interest in Schenectady de France (a subsidiary of Schenectady Varnish Inc.). The production by Schenectady de France of a wide range of synthetic resins has now begun and the marketing of these products in the Common Market will be undertaken by S.A.F.I.C. and also by S.E.P.P.I.C.

Having referred to the merger of S.E.P.P.I.C. with S.I.N.T.E.C. (Société des Industries Techniques de Cernay) and to the satisfactory re-organisation of the Company's interests in the Far East, the Chairman continued:

PROPOSED CAPITAL DISTRIBUTION

I now come to the proposed reorganisation of Hecht, Levis & Kahn, Ltd. itself, concerning which a brief preliminary announcement was made on August 23rd. It is still too early to give any details of the method of putting this reorganisation into practice. I can, however, say that it is intended in the future to concentrate our investment upon the European group of companies, of which S.A.F.I.C. is the most important, and to dispose of our remaining interests including those in the Far East. I have referred on more than one occasion to our desire to diversify should suitable opportunities arise and also to the strength of our liquid position. While our efforts to diversify have shown some results in France—and to some extent also in the Far East—we have come to the conclusion that it would not be justifiable to continue to retain such large liquid resources in condi-

tions where the opportunities for fresh investment of a kind appropriate for a group such as this are both rare and expensive. We intend therefore to bring before you in due course proposals under which, after satisfying the claims of the preference stockholders, ordinary stockholders will receive at least £800,000 in cash.

The report was adopted.

GOLD MINES OF KALGOORLIE (AUST.)

The annual general meeting of Gold Mines of Kalgoorlie (Aust.) Limited was held on September 21st in Melbourne.

Mr G. Lindesay Clark, CMG (the Chairman), presided and, in the course of his speech, said:

(All figures quoted are in Australian currency.)

Net profit for the year ended March 31, 1961, was £281,917 compared with £323,869 for the year 1959-60, a decrease of £41,952. This decrease was caused mainly by an increase in operating costs, consequent upon higher labour costs and a higher proportion of cut-and-fill stoping compared with the previous year.

Calls of 1s. per contributing share were made during the year by Kalgoorlie Southern Gold Mines No Liability, and have increased this Company's interest in the project by a further £9,131 to £88,155. Since the close of the year a loan of up to £15,000 has been made available to Kalgoorlie Southern, in return for which an option over 50,000 forfeited shares at par has been granted.

A dividend of 1s. per share absorbing £202,265 was paid on December, 1, 1960. Since the close of the year the Company has recommenced consideration of dividends half yearly, and a dividend of 6d. per share was paid in May, 1961.

OPERATING RESULTS

The mill treated 530,138 tons for the year including 441 tons of customs ore, an average of 40,780 tons per four-weekly period, an increase of nearly 500 tons per period over the corresponding figure last year.

Gold recovered amounted to 144,411 fine ounces, being 134,005 ex Mill, 10,324 from concentrates treated at Fremantle and 82 from clean-up of shut down mills. Gold in concentrates awaiting treatment at Fremantle increased by 2,331 ounces.

The head grade from the mines for the year averaged 6.16 dwts per ton and the residues 0.62 dwts, giving an overall recovery of 90.0 per cent.

Ore Reserves at March 31, 1961, were estimated at 1,133,000 tons averaging 5.9 dwts per ton, compared with 1,287,000 tons averaging 5.8 dwts per ton in March, 1960.

During the year 31,706 feet of development was done, of which 1,195 feet was special work in connection with shafts, haulage connections and ore passes. Of the 30,513 feet of normal development, 23 per cent was in ore averaging 9.2 dwts over 65 inches. Between the end of the year and August 15, 1961, 10,992 feet of normal development has been done, of which 27.4 per cent was in ore averaging 10.1 dwts over 64 inches.

The report and accounts were adopted.

WESTERN MINING CORPORATION

The annual general meeting of Western Mining Corporation Limited was held on September 27th in Melbourne.

Mr G. Lindesay Clark, CMG (the chairman), presided and paid tribute to the memory of the late Mr Leslie Edwards, a Director of the Company, who died on November 29, 1960.

(All figures quoted are in Australian currency.)

Net profit for the year ended March 31, 1961, of £297,568 was £42,188 higher than for the year 1959/60. Dividends received from the Central Norseman and Gold Mines of Kalgoorlie companies were unchanged and the principal reasons for the increase in profits were reductions in the amount of investigations written off and in administration charges and interest.

GOLD MINING

Production by the three gold mining companies in the Group totalled 1,127,024 tons, yielding 309,883 ounces of fine gold in bullion and concentrates. A further 1,893 tons of ore, from which 1,643 ounces of fine gold were recovered, was mined by tributaries working the Yilgarn Queen Mine.

Operations at Central Norseman Gold Corporation N.L. and Gold Mines of Kalgoorlie (Aust.) Ltd. continued this year with satisfactory developments and dividends were maintained at the level of the previous year.

Great Western Consolidated N.L. suffered a loss on its operations and is now in the stage of mining and treating its residual ore reserves.

ALUMINIUM

Commenting on prospecting for minerals other than gold the Chairman said: When it became apparent that an important bauxite deposit had been discovered in Western Australia it was thought that we might hope to develop an export trade in bauxite which could lead later to the erection of a refinery to produce alumina.

Following extended negotiations, we had the great good fortune to interest the Aluminium Co. of America in joining us in establishing an integrated aluminium industry through the formation of Alcoa of Australia Proprietary Limited to develop these resources. Your Directors look forward to the future of Alcoa of Australia with the greatest confidence.

IRON ORE

For some time the Corporation has been interested in the iron ore resources of Western Australia. Recently the Government has decided to grant reserves over certain deposits and six reserves have been granted to the Corporation.

The market for iron ore is the expanding steel industry in Japan. We have recently had conversations with representatives of steel mills in Japan and are assured that their market can absorb any tonnages that we are likely to be able to supply.

CAPITAL

The Board considered that if people subscribed to separate companies establishing new

industries, such as Alcoa of Australia and iron ore, they would not expect dividends for some years in any event. It was thought, therefore, that the situation could be best met by issuing deferred shares which would enable the tax-free dividends to be continued on the present issue.

SCRIBBANS-KEMP LIMITED

The 34th annual general meeting of Scribbans-Kemp Limited was held on October 9th in London.

In his circulated statement the chairman, Mr. F. N. Martin, FCA, said that the Company had had a most difficult year. It had become apparent that they could not make money in Ireland and the Board had decided to withdraw. He added that the Company retained a distribution depot in Northern Ireland for the sale of products made on this side.

Reporting on new acquisitions, Mr. Martin stated that during the year they had acquired the old-established firm of H. H. & S. Budgett & Co. Ltd. of Bristol. Since the close of the financial year they had also acquired the whole

COMPANY MEETING REPORTS

On this basis the Board now proposes to make a rights issue of 60 per 100 at 12s. 6d. per share, due for dividend in August, 1964. The payment for these shares will be 2s. 6d. down, the remainder in calls over approximately 2 years.

The report and accounts were adopted.

of the share capital of Hughes Bros. (Manufacturers) Ltd., of Liverpool.

Turning to the retail side of the business, which was now considerable, the chairman said that there had been an improvement in both sales and profits.

Export trade last year had shown a further substantial increase and had been easily the best ever.

The features of the past year, concluded Mr. Martin, may perhaps be summarised as follows: sales were maintained, but we are to have a 'new look' on marketing; profits were down, but we are to go out for better margins as a result of efficiency and economy. And what of the future? In the current year we have not got off to a particularly good start but we have great confidence in the steps we have taken and feel that we have justification for a cautious optimism.

The report was adopted.



MR W. A. de VIGIER SURVEYS 25 YEARS OF PROGRESS

The twenty-fifth annual general meeting of Acrow (Engineers) Limited was held on October 5th in London.

Mr W. A. de Vigier (the chairman) presided and said:

From the accounts in front of you, you will have noted that the consolidated trading profit for the year under review amounted to £774,310. A final dividend of 12½ per cent on the Ordinary shares, making 47½ per cent for the year on the increased capital, is recommended by your Directors. In addition, an Anniversary bonus of 2½ per cent was paid on September 5th.

Much criticism is often meted out against private enterprise so let's review, on the occasion of the Twenty-Fifth Anniversary, what the Acrow team has achieved.

We started in 1936 at a time when over a million were registered as unemployed and a war was looming ahead, with only £150 capital and a railway arch as a works. Soon the war years came when the Company had no E.P.T. standard and all profits went in taxation. 1936/46 were struggling years when, believe me, many an anxious hour was spent by the Company Secretary wondering how to pay the wages on Thursday. However, a team emerged from this struggle which had only one aim—to see Acrow grow. At home, in ten different towns, offices and depots were organised to give our customers the best possible service; five works were built

in South Africa, Australia, the Argentine, Canada and Italy; selling companies were established in eighteen different countries. For the first twelve years shareholders did not get a penny in dividends, every cent was ploughed back into the business. In 1949 the Company was made public and since that date shareholders have had ten bonus issues and the Directors have progressively increased the dividend on the increased capital to 50 per cent, this year including the Anniversary bonus.

Product-wise, an intense programme of diversification has taken place, always remaining within the engineering field. Whereas ten years ago nearly all our output went to the building and civil engineering trade, today, after 30 per cent of the total output has been exported, to seventy different countries, of the remaining 70 per cent sold at home, 25 per cent goes to the building and civil engineering trade, 20 per cent to agriculture and forestry, 11 per cent to industrial and catering and 14 per cent to Government and mining. The name Acrow is today known the world over. For many of the products manufactured the Company has become the leader in the field.

The above is a record of true private enterprise.

I am sure that you would like me to pay a tribute of thanks to all my colleagues on the various Companies' Boards, and to the employees who, through their loyal co-operation and unstinted efforts, have made these twenty-five years of progress possible. No Company Chairman could wish to have a more wonderful team than I have the privilege to lead.

For the future, the outlook remains satisfactory and in the absence of unforeseen circumstances there is no reason why 1961-62 should not be another record year.

The report and accounts were adopted.

THE ECONOMIST OCTOBER 14, 1961

JAMES HOWDEN & COMPANY

(Engineers: Specialists in the Design and Manufacture of Air and Gas Handling Plant)

RECORD LEVEL OF OUTPUT

OVERSEAS SUBSIDIARIES' CONTINUED EXPANSION

MR CRAWFORD W. HUME ON A DECADE OF PROGRESS

The fifty-fifth annual general meeting of James Howden & Company, Limited was held on October 11th in Glasgow, Mr Crawford W. Hume, MRINA (the chairman), presiding.

The following is his circulated statement: Since the last Annual General Meeting, Mr H. L. Paul, MBE, retired from the Board after 27 years of valuable service with the Company. We wish him health and happiness in his well earned retirement.

Mr H. K. Roseveare, MBE, GM, who has been some 10 years with the Group, has been appointed to the Board. We look forward to the benefit of his wide experience as an able administrator who has already been of great and valuable assistance to us in our overseas subsidiaries.

The Accounts of the Parent Company and of the Group are presented in the usual form for the year which ended on April 30, 1961.

THE YEAR'S RESULTS

The profit of the Group before taxation is £802,524. The Parent Company contributed £671,433 and the Subsidiary Companies £131,091. After making provision for taxation, the profit of the Group amounts to £421,705.

£200,000 has been transferred to the Group General Reserve, bringing this to £2,559,604.

If the recommended final dividend of 20 per cent is approved there will be a balance to be carried forward of £193,575 in the Parent Company's accounts. The Group balance to carry forward will then be £109,401.

The factories in Scotland have been fully employed throughout the year. Output, both in tonnage and in sales value, was higher than ever before. Manufacturing facilities were expanded and improved by purchase and installation of new and more efficient plant, and by rearrangement of internal layout. This policy will continue.

We constantly seek to extend the range of products which fit into our fields of activity. Two years ago we negotiated a licence from Lurgi Apparatebau Gesellschaft m. b. H. of Frankfurt, West Germany, for sale and manufacture of their design of Electro Precipitator. Substantial orders were subsequently received for Power Stations and Steelworks and those already in operation are proving satisfactory.

I am very pleased to say that our booking of orders during the year was most encouraging. At the present time the order book of the Parent Company is the highest in its history.

OVERSEAS ACTIVITIES

During the last ten years or so great efforts have been made in the establishment and expan-

THE ECONOMIST OCTOBER 14, 1961

sion of the Company's Subsidiaries in Australia, Canada and South Africa. These efforts are being rewarded by the growth of healthy and vigorous Subsidiaries. Their effect on the fortunes of the Group as a whole is twofold. Not only do they enable the Group to obtain orders in overseas markets which, in the absence of such subsidiaries, might easily have been taken by foreign competitors, but, having booked the orders, they then place with the Parent Company a considerable proportion of the equipment for manufacture at home. These parts, made by the Parent Company, rank as direct exports. At the same time, the Subsidiaries manufacture the other parts thus benefiting the Group as a whole.

The Canadian Company has again had a profitable year and its long term prospects continue to be encouraging.

The South African Companies have had a good year. It does not appear that the political situation there will affect the business in any serious way. The Johannesburg factory is work-

COMPANY MEETING REPORTS

ing normally and there are no indications of uneasiness over labour conditions. The order book is very much larger than ever before and the prospects for business satisfactory.

The Australian Company had a busy year but the profits were down. This to some extent was due to the completion of a contract being delayed beyond the end of the year. The bookings during the year, however, were satisfactory and the amount in the order book was more than trebled. These orders are for plant to be delivered within the next three years and the prospects are therefore good.

I have also to report recent developments of some importance affecting our business on the Continent of Europe. We have acquired a controlling interest in a new Dutch Company named Holima Ingenieursbureau voor Warmte-en Koudetechniek N.V., established to take over the business of our former Agents in Holland. We have enjoyed valuable business in Holland for upwards of 30 years and by this step we believe the future there will be assured.

Our sales in France have been increasing steadily over the past four years to some extent due to the easing of import restrictions and are now substantial. The market is promising and we are at present forming a French subsidiary company. It is our belief that the new company will afford us certain advantages.

RECORD OF PROGRESS

The growth of the Group to which I have referred from time to time can be well illustrated by a few figures. For instance, in 1951 the net assets amounted to £1,019,510. By 1956 they had risen to £2,546,924, and at the end of the year under review to £4,800,841.

On your behalf and on behalf of the Board I have pleasure in thanking the Boards of the Subsidiary Companies and all the executives, staff and workpeople at home and abroad for their loyalty and service.

The report and accounts were adopted.

EDUCATION AND COURSES

TUITION FOR B.Sc. ECONOMICS

Wolsey Hall (Est. 1894) provides Postal Courses in a wide range of subjects for the two examinations for London Univ. B.Sc.Econ. (three if entrance is included) at moderate fees. 431 Wolsey Hall students passed London Univ. B.Sc. Economics exams, 1960-61. Tuition also for G.C.E., Law, Statistical, other exams. Prospectus (mentioning examination) from E. W. Shaw, Fletcher, C.B.E., LL.B., Director of Studies, Dept. P.17.

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BUSINESS AND PERSONAL

THE COMMITTEE OF LONDON CLEARING BANKERS

Notice is hereby given that the MAXIMUM RATE of INTEREST allowed by the Committee mentioned London Clearing Banks on deposits, which must be lodged for a minimum period of seven days and be subject to a minimum notice of withdrawal of seven days, will be FOUR AND ONE HALF per cent per annum until further notice.

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R. H. BARKSHIRE, Secretary.

10 Lombard Street, London, E.C.3. October 5, 1961.

ANNOUNCEMENT

STATEMENT REQUIRED BY THE ACT OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, JULY 2, 1946, and JUNE 19, 1961, ST. 20, SHOWING THE OWNERSHIP, MANAGEMENT, AND CIRCULATION OF THE PUBLICATION, published weekly at New York, N.Y., for October 1, 1961.

1. The names and addresses of the publisher, editor, managing director, and business manager: Publisher, Sir Geoffrey Crowther, 22 Ryder Street, St. James's, London, S.W.1, England. Editor, Donald Terman, 22 Ryder Street, St. James's, London, S.W.1, England. Business Managers, Gerold Andrews and Peter Dallas Smith, 22 Ryder Street, St. James's, London, S.W.1, England.

2. The owner is: Economist Newspaper Limited, 22 Ryder Street, St. James's, London, S.W.1, England.

Stockholders owning or holding 1 per cent or more of total amount of stock are: Financial News Ltd., 10 Cannon Street, London, E.C.4; The Davids, Northfield, Birmingham; D. E. W. Gibb, Hayes Barton, Gerrards Cross, Buckinghamshire; R. L. Gregg, Oakdale, Parkfield Road, Atrincham, Cheshire; E. R. A. de Rothschild, New Court, St. Swinburn's Lane, E.C.4; The Executors of the late Lord Simon's Estate, Cheshire Heath, Stockport, Cheshire; H. Graham White, Mere Cottage, Birkenhead, Cheshire; David Layton, 47 Harnessed Way, London, N.W.11; G. C. Layton, Owl Wood, Avon Castle Drive, Ringwood, Hampshire; M. J. Layton, 45 Westleigh Avenue, London, S.W.15; C. W. Layton, 40 Elmbank Gardens, Barnes, London, S.W.13; R. W. B. Schroder, 145 Leadenhall Street, London, E.C.3; Sir Geoffrey Crowther, 29 Dover Park Drive, Roehampton, London, S.W.15; B. M. Crowther, Westfield, The Marle, Ashford, Surrey; R. St. John Malheux, Bousie Farm, Inkberrow, Worcestershire.

3. The known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are none.

4. Paragraph 2 and 3 include in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trust is acting, also the statements in the two paragraphs show the full name of the company, the name of the person or corporation for whom such trust is acting, the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner.

5. The average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was 65,366.

P. DALLAS SMITH, Manager.

Sworn to and subscribed before me this 25th day of September, 1961.

I. H. E. Thompson, A Commissioner for Oaths.

WEST HIGHLAND SEA SCHOOL

LAMLASH, ISLE OF ARRAN 1962

Gifted Managers are few, management technicians many. If your son has shown management potential, send him to us. Please write our Secretary, Mr. E. Douglas Moss, Parkview, 127 Lockerbie Road, Dumfries.

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THE PURCHASING OFFICERS ASSOCIATION maintains an Appointment Register, and employers requiring the services of Operational Research is desirable but training is available for suitable applicants without previous experience.

The posts offer a wide scope for the application of operational research techniques to the problems of the economic operation of the Board's power stations and transmission systems. The extensive computer facilities of the Board are available for the solution of these problems and the successful applicants will be required to co-operate with the Board's Computing Services on problems requiring computer time.

The salary for the two posts will be within the range of £900-£1,500 per annum. Grades 11 to 7, Class BX of the National Joint Board Schedule, depending upon qualifications and previous experience.

Forms of application may be obtained from the Regional Personnel Officer, Central Electricity Generating Board, North Eastern Region, 1 Whitehall Road, Leeds, 1.

APPOINTMENTS

requires two experienced TRANSLATORS for English. University degree or equivalent and thorough knowledge of FRENCH and/or GERMAN essential, Dutch or Italian useful.

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Pensionable posts for men and women with degree or post-graduate university diploma in statistics, or degree (preferably with good honours) in which statistics is a principal subject, or a higher degree involving work in statistics of at least 2nd class honours standard. Candidates qualifying by summer, 1962, may apply. Selection by interview. Age at least 20 and under 28 on 1.8.62 (extension for service in H.M. Forces or Overseas Civil Service and/or approved post-graduate activity). Starting salary (Inner London), £783 (or higher according to age and experience); scale maximum £1,282. Promotion prospects to £2,415 or over. Write Civil Service Commission, Burlington Gardens, London, W.1, for application form, quoting 562/61. Closing date November 7, 1961.

For other appointments see page 185

DEPARTMENT OF AGRICULTURE AND FISHERIES FOR SCOTLAND

Pensionable posts for men or women as (a) ASSISTANT AGRICULTURAL ECONOMIST or (b) ASSISTANT AGRICULTURAL ECONOMIST. Age on 1.11.61: at least 26 for (a); at least 21 and normally under 28 for (b). Qualifications: university degree, normally with 1st or 2nd class honours, in economics, agriculture or a related subject, or comparable relevant qualification; also for (a), at least three years' appropriate post-graduate experience. Knowledge of statistical methods and practical experience of agriculture an advantage. Duties include investigation of changes in financial conditions of agriculture and factors affecting agricultural output, analysis of farm management, preparation of material for farm management Lectures according to syllabus. Starting salary (a) £1,342-£1,654; (b) £736-£1,222. Starting salary may be above minimum in either grade. Promotion prospects. Applications for (a) to the Director of Agriculture, Civil Service Commission, Burlington Gardens, London, W.1, for application form, quoting 5395/61. Closing date November 6, 1961. A78263/DM.

CENTRAL ELECTRICITY GENERATING BOARD

NORTH EASTERN REGION

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Applications are invited for two appointments in the Operational Research Department, North Eastern Region of the Central Electricity Generating Board at Leeds.

The applicants should have a good degree in mathematics, statistics, economics or science, and be capable of original and constructive thought. Some previous experience of Operational Research is desirable but training is available for suitable applicants without previous experience.

The posts offer a wide scope for the application of operational research techniques to the problems of the economic operation of the Board's power stations and transmission systems. The extensive computer facilities of the Board are available for the solution of these problems and the successful applicants will be required to co-operate with the Board's Computing Services on problems requiring computer time.

The salary for the two posts will be within the range of £900-£1,500 per annum. Grades 11 to 7, Class BX of the National Joint Board Schedule, depending upon qualifications and previous experience.

Forms of application may be obtained from the Regional Personnel Officer, Central Electricity Generating Board, North Eastern Region, 1 Whitehall Road, Leeds, 1.

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COMPANY AFFAIRS

Margins Still Falling

THE latest batch of interim reports has sharply checked the rise in the industrial market which occurred after the reduction in Bank rate, for they all follow the trend of past months by showing narrower profit margins. Babcock and Wilcox indeed administered a shock to the market by its decision to pass its interim dividend. In the past two years the dividend of 9 per cent has not been fully covered by earnings and in omitting the interim dividend, recently half the total payment, the directors say they took into account the provisional trading results. These have been affected by the low level of manufacturing activity, by the nuclear contracts (for which they believe sufficient provision has been made) and by a number of outstanding claims on contracts still under construction. For the longer term the news is slightly more encouraging as the group's order book is the highest for four years though the directors add the warning that "capacity in the boiler manufacturing industry is in excess of requirements and trading conditions are likely to remain highly competitive."

From United Drapery comes the more reassuring news that sales in the six months to July 29th were higher than in the corresponding period of 1960, in the first quarter of which HP sales were free of restrictions. But costs have continued to rise so that the 3 per cent increase in trading profits from £4,484,000 to £4,628,000 is much smaller than in past years. After bringing in a credit from hire purchase provisions and

DIVIDENDS AND YIELDS

	Prev. interim	Prev. final	Latest interim	Price	Yield %
Babcock & Wilcox	4½	4½	Nil	19/6	3.4
United Drapery	10*	20*	10	44/3	4.9
United Glass	5	10	5	15/3	4.9
Sunday Pictorial	10	17½	10	21/7½	6.4

* Adjusted for scrip issue.

crediting net interest income (in the previous year there was a large interest charge) profits before tax have risen by 13 per cent from £4,013,000 to £4,489,000. After tax and a full year's preference dividend, net equity earnings have risen from £1,915,000 to £2,095,000. A similar improvement in profits in the second half of the year would raise earnings on the bigger capital by about 2 points to cover the 30 per cent dividend almost twice. With the company well endowed with cash the directors of United Drapery might well be disposed to follow their policy in the last two years of distributing rather more than half of the available earnings.

Sales by United Glass rose in the first half of 1961 but profits were lower in this

period though the directors do not tell shareholders by how much. They say the culprit is the increase in costs. But prices have now been raised and profits for the full year are expected to be higher than in any year apart from 1960, when net equity earnings amounted to £960,000 to cover the 15 per cent dividend over 2½ times. It seems certain that this payment, raised from 12½ per cent, will be maintained, for on the basis of 1959 earnings a 15 per cent dividend would still be covered twice.

The results from Sunday Pictorial for the six months to August 31st begin to bear out Mr Cecil King's forecast that trading profits for the full year would be somewhat higher and investment income slightly lower than in 1960-61. Reflecting the increase in the selling price, trading profits amounted to £355,000, compared with £279,000 in the same period last year and £264,000 in the second half of 1960-61. Investment income contributed £529,000, which is slightly more than the £515,000 received in the corresponding period last year but well below £599,000 received in the second half of the 1960-61 financial year. Earnings for the whole year seem likely to rise by a sufficient margin to justify an increase in the dividend to 30 per cent. But there is always the Chancellor and his request.

Properties in Plenty

THIS week there has been a further spate of news from several property companies not only on new developments but on their search for funds. For the second time in a year Second Covent Garden Property is making a rights issue. The company in which Eagle Star Insurance is a major shareholder and supplier of funds is raising over £4 million by a two for five issue at 24s. a share. This compares with the pre-issue price of 30s. and the company is effectively raising its funds at about 3½ per cent. The reasons for the issue are clear; overdrafts have risen close to £2½ million; existing commitments amount to £4 million; other projects are under discussion; and the unspecified proceeds from the sale of Covent Garden market will not be available until the middle of 1962.

Hallmark Securities too is securing new funds. Sun Life Assurance has agreed to provide further finance beyond the £5 million which it agreed to advance in August, 1960. The £5 million is being used to finance £44 million development schemes on the Sussex coast and in London. Together these developments should produce £473,000 in gross rental income and this prospect of expansion forms the background to the results for the year to April

30, 1961, when pre-tax profits more than doubled. But for the Chancellor's request the ordinary dividend would have been higher than the forecast 60 per cent, which compares with the equivalent of 45 per cent. A similar payment has been forecast for the current year, when the Sun Life's 10 per cent stake in the equity first ranks for a dividend, and it will be paid on the capital as increased by another one-for-ten scrip issue.

Particular interest has been centred this week on the offer for sale of 1,400,000 shares in United Real Property Trust, founded by Mr Maurice Wohl. As expected the offer has been heavily oversubscribed which is a sign of investors' confidence in the management ability of the company founded only 13 years ago and now possessing a portfolio of properties valued at almost £14½ million. After the offer Mr Wohl's stake in the company will amount to 74 per cent. The Co-operative Insurance Society, which has agreed to lend up to £10 million (of which £6 million is already committed) for long

	Dividend per cent	Current price	Yield per cent
Second Covent Gdn.	16	24/9½	3.2
Hallmark Securities	60	28/3	2.4*
United Real Property	7½	18/-	2.1

* Allowing for proposed scrip issue.

term finance, has a 10 per cent stake in the equity which it acquired at 17s. 9d. a share. The public will hold 11½ per cent. The group's properties consist almost entirely of modern office blocks in London and its rental income is expected to double by 1963-64, and the dividend to be progressively raised from 7½ per cent through 12½ per cent to 15 per cent. These would seem to be minimum forecasts, for they make no allowance for income from the additional £4 million made available by the Co-operative Insurance. With the offer price of 18s. a little above the net asset value of 17s. 2d. per 5s. share as calculated on existing developments, the market is looking for a premium of about 2s. when dealings begin next week.

Gallaher

IN the past five years Gallaher has doubled its sales to £320 million and enlarged its share of the cigarette market from under 20 per cent to 35 per cent. Shareholders can hardly expect this rapid rate of expansion to continue. Higher prices, incorporating further tax increases, are proving a deterrent not so much to the established smoker (who often switches to a cheaper brand when prices rise) but to the younger person, especially the office worker. The proportion of non-smokers is rising, especially among young people. It is not surprising, therefore, that Gallaher would now be satisfied with a 2½ per cent growth rate which would still enable it to gain ground from its competitors.

While Imperial Tobacco's "Woodbine" remains Britain's best selling cigarette, Gallaher's "Senior Service" is still set towards supremacy among the 4s. 6d. brands, and already it is selling better than

"Players" in the South. While the industry awaits the outcome of the Monopolies Commission's recommendation that Imperial Tobacco should divest itself of its 42½ per cent shareholding in Gallaher, the latter's contention is that competition between the two groups could not be more intense than it now is.

Gallaher plans further expansion; recently it bought for about £2 million a textile mill in Belfast which it is to convert for a like sum into a modern cigarette factory on the lines of the Linisfaillan factory, 30 miles outside Belfast which makes about 30 per cent of "Senior Service" cigarettes as well as the "Park Drive" brand and cigars. Other capital commitments amount to £2 million and the increase in leaf tobacco prices has tied still larger sums in stocks, which were shown at £65½ million at the end of last year. The group's overdraft then amounted to £6½ million even though £10 million had been raised by the rights issue in June, 1960. Gallaher has been a big user of capital having raised in the past five years £25 million by rights issues and £18 million by loan stock.

Earlier this year Gallaher increased its authorised capital by 10 million shares and it may not be too long before the company once again has to come to the market. The success of any such issue would partly turn on the decisions taken about Imperial Tobacco's holdings. At 41s. 10d. the 10s. shares yield at 4½ per cent, two percentage points lower than the yield on the shares of its major competitor and shareholder.

Copper Dividends

THE interim dividends declared by the Rhodesian copper producers in the spring proved a better guide to payments for the full year to June 30th than the quarterly results published by the Rhodesian Selection Trust group. These showed that Mufulira, from which RST draws practically all its income, suffered a fall from £9,954,000 to £7,727,000 in its operating profit. Roan Antelope suffered an even steeper decline from £8,399,000 to £6,343,000. In May, the interim dividends of Mufulira and RST had been cut by about a quarter and there were some fears that the final payments would have to be reduced even more sharply. In fact, the final dividends have only been cut in the same proportion as the interims. Mufulira is paying a final dividend of 4s. a share after Rhodesian taxes, making 6s. a share for the year, against 7s. 10½d., and RST is paying a final of 9d. a share, making 1s. 1½d. a share, against 1s. 6d. Roan's interim payment was reduced by only ½d. to 4d. a share; but though the fall in profits might have justified a bigger cut in the total dividend, Roan is paying a final of 8d. a share, making 1s. for the year, against 1s. 3d.

The results of the copper companies in the "Rhoanglo" group with June accounting dates are still more encouraging. In March, Rhokana and Rhodesian Anglo American maintained their interim pay-

ments. Now they have held their final dividends at last year's level, so that Rhokana is again paying 7s. a share and "Rhoanglo" 8s. a share. The lame runner from this stable appears to be Bancroft, which has been forced to cut its dividend from 1s. 3d. to 0d. a share.

The profits of the "Rhoanglo" companies have held up rather better than those of the RST group. Rhokana's operating profit was only 16 per cent lower and its investment income higher, so that its net profit fell only slightly from £11,534,000 to £10,956,000. Rhoanglo's net profit increased from £7,135,000 to £7,251,000. In the Anglo American group, investment income depends partly on past profits earned by other associated copper producers. Rhoanglo, which has a 52 per cent holding in Rhokana, also derives a substantial part of its income from Nchanga, which has a March accounting date and enjoyed a slightly more favourable year than the June companies. Higher production costs at Bancroft may explain in part the relatively greater effect that the decline in the price of copper has had on its profits, which fell from £3,693,000 to £2,745,000.

A year ago the RST companies decided to restrict their production and the results were clearly seen in their results: Roan's output dropped by 10,000 tons to 82,000 tons; Chibuluma's output fell by 3,000 tons to 19,000 tons; and Mufulira cut its production from 104,000 tons to 101,000 tons. But the Anglo American companies apparently preferred to rely mainly on stockpiling copper to achieve a reduction of 3,000 tons a month in their marketing, though more recently they may have modified this policy.

Thos. W. Ward

THE Thos. W. Ward group has an unusually wide range of interests ranging from steel, engineering, scrap metals and locomotive manufacture to chemical plant and cement. In the year to June 30th, turnover rose by 5 per cent to £52 million and trading profits rose by 4½ per cent from £3,433,000 to £3,595,000. The tax charge showed hardly any increase so that the rise in net profits from £1,468,000 to £1,593,000 is proportionately higher at 8½ per cent. The ordinary dividend is effectively maintained at 13½ per cent and the bigger earnings cover it almost 3.6 times, compared with 3.1 times in the previous year.

The rise in profits probably comes mainly from the engineering interests, where machine tools are likely to have done well. The iron and steel divisions will have felt the burden of higher costs and of the reduction in demand for sheet steel from the motor industry. Ketton Portland Cement made slightly smaller deliveries last year and its profits, which constitute about one-seventh of the group's total, were only marginally higher even though the depreciation charge fell by 38 per cent. The £1 ordinary shares were little changed after these results were published and at 68s. yield 4 per cent.

London Stock Exchange

FIRST DEALINGS:	Sept. 18	Oct. 2	Oct. 16
LAST DEALINGS:	Sept. 29	Oct. 13	Oct. 27
ACCOUNT DAY:	Oct. 10	Oct. 24	Nov. 7

THE cut in Bank Rate last Thursday brought an immediate rise in the prices of both gilt-edged stocks and equities. But the Chancellor then emphasised that the cut did not herald any easing of the credit squeeze or of the wages pause. Consideration of this statement brought the rise in equities to a halt after the week-end. Disappointing results from a number of companies contributed to the uneasy time in the industrial market and by the middle of the week the gains made in the short-lived rally had been wiped out. The Economist indicator fell by 4.1 points to 346.7, a new low for the year.

After the reduction in Bank Rate the gilt-edged market became more lively. There had been a fair amount of switching into medium and short dated stocks as well as some institutional buying of them. There was a pause in investment buying on Tuesday but prices remained steady; short dated stocks rose on Wednesday but long dated were dull. Bank buying of Savings 3 per cent. 1955-65 contributed to the rise of ¼ to 89½. Conversion 5 per cent 1971 gained ¼ to 90½ and Funding 3½ per cent 1999-2004 gained ¼ to 57. Among the irredeemables, 2½ per cent Consols gained ½ to 38½. Corporation stocks also had a firm week, helped by the announcement of the new LCC loan conversion offer of 6½ per cent 1971-72 at 96½ for the maturing 3 per cent stock 1956-61. This stock gained 1½ to 102½ on the announcement and the new stock was fully subscribed at the opening on Thursday morning.

Bank shares gained limited amounts over the week, though Barclays went ahead of the rest, putting on 3s. 3d. to 77s. 9d. Insurance shares were slightly lower over the week, losing their early gains, but breweries held their early rises and Watney Mann gained 1s. to 91s. Heavy falls occurred among store shares and Marks and Spencer "A" lost 1s. 7½d. to 99s. 7½d. Bad news from capital goods producers depressed prices in several sections of the market. The passing of the interim dividend by Babcock and Wilcox led to a drop of 4s. 3d. to 19s. 3d. in its shares and Doxford and Sunderland lost 6s. 3d. to 50s. 10d. following the chairman's statement. The cutback in United Steel's development programme and the latest report about steel output led to sharp falls in steel equities; United Steel itself lost 2s. 3d. to 40s. 7½d.

Exceptionally, Unilever gained another 4s. to 147s. on further consideration of the share split and Jaguar "A" showed a net gain of 1s. to 81s. though the price was trimmed a little on the announcement of the acquisition of Guy Motors. Kaffir shares were reasonably firm ahead of the quarterly figures; St. Helena gained 1s. to 58s. 9d. and F.S. Geduld gained 2s. 6d. to 56s. 3d.

LONDON AND NEW

Prices, 1961		BRITISH FUNDS		Price, Oct. 4, 1961	Price, Oct. 11, 1961	Net Yield, Oct. 11, 1961	Gross Yield, Oct. 11, 1961	Prices, 1961		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Oct. 4, 1961	Price, Oct. 11, 1961	Yield, Oct. 11, 1961	Cover
High	Low	GUARANTEED STOCKS						High	Low							
92 1/2	88 3/4	Savings Bonds 3 1/2%	1955-65	88 7/8	89 3/8	4 1/4	5 0	89 7/8	64 1/2	13 c	6 1/2	BANKS, DISCOUNT & HP				
101 1/2	99 1/2	Conversion 4 1/2%	1962-63	99 1/2	99 3/8	4 10	5 1 1/2	100 3/4	74 3/4	16 c	8 1/2	Barclays	74 1/2	77 1/8	3 34	
96 1/2	93 1/2	Exchequer 3 1/2%	1962-63	94 3/8	95 1/8	4 8	5 17 1/2	100 3/4	74 3/4	16 c	8 1/2	District	83 1/2	83 3/4	3 84	
101 1/2	98 1/2	Treasury 5 1/2%	1962	99 3/8	100 3/8	3 9 1/2	5 8 1/2	80 1/2	58 7/8	13 c	5 0	Lloyds	62 1/2	62 1/2	3 48	
99 1/2	96 1/2	Exchequer 2 1/2%	1963-64	91 1/8	92 1/8	4 17 1/2	5 16 1/2	94 1/2	67 1/2	19 c	7 1/2	Martins	20 1/2	21 3/4	3 53	
99 1/2	96 1/2	Conversion 4 1/2%	1963	97 1/8	98 1/8	3 13 1/2	5 18 1/2	97 1/2	73 1/2	7 c	7 0	Nat. Prov.	83 1/2	83 3/4	3 60	
98 1/2	94 1/2	Conversion 4 1/2%	1964	95 1/8	96 1/8	4 5 1/2	5 19 1/2	95 1/2	58 1/2	7 1/2	6 1/2	Westminster B.	79 1/2	82 1/2	3 56	
101 1/2	96 1/2	Exchequer 5 1/2%	1966	96 3/8	97 3/8	3 18 1/2	5 2 1/2	44 1/2	35 7/8	8 b	4 0	Australia & N.Z.	36 3/4	35 1/8	6 71	
83 1/2	78 1/2	Funding 3 1/2%	1959-69	79 1/8	80 1/8	4 19 1/2	6 0 1/2	52 1/2	41 1/2	6 b	4 0	Bk. Lond. & S. Amer.	42 1/2	43 1/2	4 65	
89 1/2	84 1/2	Funding 4 1/2%	1960-90	85 1/8	86 1/8	3 15 1/2	5 9 1/2	42 1/2	31 1/2	8 c	5 0	Bank of Montreal	23 1/2	23 1/2	3 00	
79 1/2	74 1/2	Savings Bonds 2 1/2%	1960-70	76 1/8	77 1/8	5 0 1/2	6 7 1/2	30 1/2	25 1/2	8 c	9 0	Bank of New S. Wales	26 1/2	25 1/2	5 59	
72 1/2	68 1/2	Savings Bonds 3 1/2%	1965-75	68 1/8	69 1/8	4 19 1/2	6 9 1/2	31 1/2	26 1/2	10 c	5 0	Barclays D.C.O.	32 1/2	33 3/4	6 02	
83 1/2	78 1/2	Funding 3 1/2%	1966-68	81 1/8	82 1/8	4 19 1/2	6 2 1/2	46 1/2	37 1/2	7 1/2	7 1/2	Chartered	48 1/2	48 3/4	6 22	
97 1/2	92 1/2	Victory 4 1/2%	1920-76	93 1/8	93 3/8	3 9 1/2	5 2 1/2	70 1/2	49 1/2	9 b	7 1/2	Hongkong & Shang.	48 1/2	48 3/4	4 23	
87 1/2	82 1/2	Conversion 3 1/2%	1969	82 1/8	83 1/8	4 17 1/2	6 8 1/2	42 1/2	31 1/2	10 1/2	10 1/2	Nat. Com. Bk. Scot.	50 1/2	51 1/2	3 19	
91 1/2	87 1/2	Conversion 5 1/2%	1971	89 1/8	90 1/8	4 8 1/2	6 11 1/2	39 1/2	28 1/2	10 b	9 0	Royal Bk. Canada	10 1/2	10 1/2	3 04	
99 1/2	95 1/2	Conversion 5 1/2%	1974	90 1/8	91 1/8	4 3 1/2	6 8 1/2	40 3/4	32 1/2	5 a	10 b	Royal Bk. of Scotland	97 1/2	98 1/2	3 86	
71 1/2	66 1/2	Treasury 3 1/2%	1977-80	67 1/8	68 1/8	4 15 1/2	6 11 1/2	165 1/2	95 1/2	22 1/2	22 1/2	Hambros	127 1/2	127 1/2	3 53	
71 1/2	66 1/2	Treasury 3 1/2%	1979-81	66 1/8	67 1/8	4 15 1/2	6 11 1/2	89 1/2	59 1/2	5 b	2 1/2	Schroders	76 1/2	77 1/2	1 94	
97 1/2	92 1/2	Redemption 3 1/2%	1982-84	89 1/8	90 1/8	4 2 1/2	6 9 1/2	60 1/2	45 1/2	6 1/2	6 1/2	Union Discount	45 1/2	47 1/2	5 24	
59 1/2	51 1/2	Redemption 3 1/2%	1986-96	52 1/8	53 1/8	4 10 1/2	6 7 1/2	27 1/2	13 1/2	18 c	18 c	Bowmaker	14 7/8	14 7/8	1 1	
88 1/2	83 1/2	Treasury 5 1/2%	1986-89	79 1/8	79 3/8	4 6 1/2	6 12 1/2	23 1/2	13 1/2	19 c	5 0	Lombard Banking	13 1/2	14 1/2	1 1	
63 1/2	55 1/2	Funding 3 1/2%	1999-2004	56 1/8	57 1/8	4 8 1/2	6 11 1/2	21 1/2	13 1/2	7 1/2	5 0	Mercantile Credit	13 1/2	13 1/2	4 69	
94 1/2	89 1/2	Treasury 5 1/2%	2008-79	82 1/8	82 3/8	4 4 1/2	6 15 1/2	21 1/2	13 1/2	4 a	22 1/2	United Domin. Tst.	132 1/2	138 1/2	3 82	
65 1/2	56 1/2	Consols 4 1/2% after Feb. 1957		58 1/8	59 1/8	4 2 1/2	6 15 1/2	13 1/2	11 1/2	11 1/2	11 1/2	Breweries, etc.	11 1/2	11 1/2	4 73	
59 1/2	50 1/2	War Loan 3 1/2% after 1952		53 1/8	53 3/8	4 1 1/2	6 14 1/2	13 1/2	11 1/2	5 a	8 1/2	Distillers	35 3/4	36 1/2	3 88	
59 1/2	50 1/2	Consol. 3 1/2% after Apr. 1961		52 1/8	52 3/8	4 2 1/2	6 13 1/2	26 1/2	13 1/2	6 1/2	6 1/2	Flowers	17 1/2	17 1/2	2 96	
44 1/2	36 1/2	Treasury 3 1/2% after Apr. 1966		38 1/8	38 3/8	3 18 1/2	6 8 1/2	60 1/2	50 1/2	14 1/2	8 a	Guinness	51 1/2	51 1/2	4 27	
43 1/2	36 1/2	Treasury 2 1/2% after Apr. 1975		37 1/8	38 1/8	4 0 1/2	6 11 1/2	14 1/2	12 1/2	14 1/2	14 1/2	Ind. Coope. T.A.	12 1/2	13 1/2	4 62	
91 1/2	85 1/2	British Electric 4 1/2%	1967-69	87 1/8	88 1/8	4 10 1/2	6 8 1/2	14 1/2	12 1/2	7 1/2	5 a	Teacher (Distillers)	33 1/2	34 1/2	3 65	
75 1/2	70 1/2	British Electric 3 1/2%	1968-73	71 1/8	72 1/8	5 0 1/2	6 8 1/2	98 1/2	76 1/2	12 c	9 a	Watney Mann	90 1/2	91 1/2	3 96	
70 1/2	64 1/2	British Electric 3 1/2%	1974-77	66 1/8	66 3/8	4 19 1/2	6 9 1/2	33 1/2	26 1/2	12 c	9 a	Whitbread 'A'	33 1/2	33 1/2	4 06	
81 1/2	74 1/2	British Electric 4 1/2%	1974-79	75 1/8	76 1/8	4 11 1/2	6 10 1/2	51 1/2	40 1/2	21 1/2	21 1/2	Associated Portland	46 1/2	47 1/2	3 52	
73 1/2	67 1/2	British Electric 3 1/2%	1976-79	68 1/8	68 3/8	4 16 1/2	6 10 1/2	20 1/2	17 1/2	4 a	7 1/2	British Plaster Bd.	20 1/2	21 1/2	5 95	
81 1/2	78 1/2	British Gas 4 1/2%	1969-71	80 1/8	81 1/8	4 14 1/2	6 9 1/2	28 1/2	20 1/2	10 b	10 b	Richard Costain	17 1/2	17 1/2	4 71	
59 1/2	51 1/2	British Gas 3 1/2%	1980-85	52 1/8	52 3/8	4 12 1/2	6 9 1/2	26 1/2	10 1/2	10 b	5 a	Critical Mfg.	10 1/2	10 1/2	7 14	
75 1/2	70 1/2	British Transport 3 1/2%	1968-73	71 1/8	72 1/8	5 0 1/2	6 8 1/2	10 1/2	8 1/2	14 b	14 b	International Paints	10 1/2	10 1/2	6 96	
80 1/2	74 1/2	British Transport 4 1/2%	1972-77	75 1/8	76 1/8	4 12 1/2	6 10 1/2	18 1/2	10 1/2	12 1/2	12 1/2	London Brick	87 1/2	87 1/2	4 00	
61 1/2	53 1/2	British Transport 3 1/2%	1978-88	56 1/8	56 3/8	4 15 1/2	6 10 1/2	66 1/2	40 1/2	21 1/2	21 1/2	Rugby Portland	54 1/2	54 1/2	2 31	
								12 1/2	10 1/2	12 1/2	12 1/2	Taylor Woodrow	20 1/2	20 1/2	4 88	
								167 1/2	119 1/2	17 1/2	17 1/2	Wall Paper Delf.	126 1/2	125 1/2	3 98	

Prices, 1961		DOMINION AND CORPORATION STOCKS		Price, Oct. 4, 1961	Price, Oct. 11, 1961	Yield, Oct. 11, 1961	NEW YORK PRICES AND INDICES		Oct. 4	Oct. 11	Oct. 4	Oct. 11	Oct. 4	Oct. 11	Oct. 4	Oct. 11
High	Low						Standard and Poor's Indices (1941-43=10)									
82 1/2	76 1/2	Australia 3 1/2%	1965-69	78 1/8	79 1/8	6 12 1/2	425 Industrials		71 76	72 83	2 83	33 12	4 92	62 44	3 11	88 39
101 1/2	92 1/2	Australia 6 1/2%	1974-76	93 1/8	93 3/8	6 12 1/2	400 Utilities		70 00	71 00	2 88	33 00	4 92	62 12	3 16	88 59
72 1/2	64 1/2	Ceylon 4 1/2%	1973-75	65 1/8	65 3/8	8 5 1/2	Govt. Bonds		70 00	71 00	2 88	33 00	4 92	62 12	3 16	88 59
101 1/2	92 1/2	New Zealand 6 1/2%	1976-80	93 1/8	93 3/8	6 12 1/2	Yield %		70 00	71 00	2 88	33 00	4 92	62 12	3 16	88 59
80 1/2	70 1/2	Rhodesia and Nyasaland 6 1/2%	1978-81	71 1/8	71 3/8	9 5 1/2	Yield %		70 00	71 00	2 88	33 00	4 92	62 12	3 16	88 59
81 1/2	73 1/2	South Africa 6 1/2%	1976-81	72 1/8	72 3/8	8 10 1/2	Yield %		70 00	71 00	2 88	33 00	4 92	62 12	3 16	88 59
59 1/2	53 1/2	Southern Rhodesia 4 1/2%	1987-92	54 1/8	54 3/8	8 10 1/2	Yield %		70 00	71 00	2 88	33 00	4 92	62 12	3 16	88 59
94 1/2	85 1/2	Agricultural Mortgage 5 1/2%	1980-85	86 1/8	86 3/8	6 15 1/2	Yield %		70 00	71 00	2 88	33 00	4 92	62 12	3 16	88 59
89 1/2	82 1/2	Birmingham 4 1/2%	1967-70	83 1/8	84 1/8	6 14 1/2	Yield %		70 00	71 00	2 88	33 00	4 92	62 12	3 16	88 59
92 1/2	86 1/2	British 5 1/2%	1971-73	87 1/8	87 3/8	6 13 1/2	Yield %		70 00	71 00	2 88	33 00	4 92	62 12	3 16	88 59
91 1/2	87 1/2	Corporation of London 5 1/2%	1976-79	87 1/8	87 3/8	6 12 1/2	Yield %		70 00	71 00	2 88	33 00	4 92	62 12	3 16	88 59
43 1/2	41 1/2	L.C.C. 5 1/2%	1980-83	80 1/8	80 3/8	6 13 1/2	Yield %		70 00	71 00	2 88	33 00	4 92	62 12	3 16	88 59
89 1/2	80 1/2	Middlesex 5 1/2%	1980-83	80 1/8	80 3/8	6 13 1/2	Yield %		70 00	71 00	2 88	33 00	4 92	62 12	3 16	88 59
93 1/2	84 1/2		1980	84 1/8	84 3/8	6 14 1/2	Yield %		70 00	71 00	2 88	33 00	4 92	62 12	3 16	88 59

YORK STOCKS

Prices, 1961				Last Two Dividends (a) (b) (c)				ORDINARY STOCKS				Price, Oct. 4, 1961				Price, Oct. 11, 1961				Yield, Oct. 11, 1961				Cover			
High		Low																									
34 1/2	17 1/2	10 c	10 c	FOOD & TOBACCO				18 1/2	18 1/2	5 44	2 1/2	62 1/2	43 1/2	20 a	60 b	MISCELLANEOUS				47 3/4	47 3/4	6 35	2 1/2	2 1/2	2 1/2		
15 1/2	7 9/16	10 a	12 1/2 b	Allied Suppliers				10 1/2	12 1/2	1 84	2	34 1/2	26 1/2	20 a	40 b	Assoc. British Picture				5 1/2	30 3/4	30 3/4	9 84	1 1/2	1 1/2		
74 1/2	55 1/2	4 a	8 b	Assoc. British Foods				1 1/2	57 3/4	4 19	2 1/2	51 1/2	41 1/2	16 a	14 b	Assoc. Television A				5 1/2	48 1/2	48 1/2	3 13	1 1/2	1 1/2		
15 1/2	11 1/2	14 1/2 b	12 1/2 b	Bovril				1 1/2	12 1/2	4 26	3 1/2	54 1/2	32 1/2	31 a	6 1/2 b	Beecham Group				5 1/2	33 3/4	33 3/4	4 17	2	2		
19 1/2	12 1/2	2 1/2 a	10 b	Brooke Bond B				5 1/2	13 1/2	4 72	1 1/2	28 1/2	15 1/2	6 1/2	4 a	British Oxygen				5 1/2	17 1/2	16 1/2	3 33	2 1/2	2 1/2		
107 1/2	67 1/2	5 a	10 1/2 b	International Tea				5 1/2	13 3/4	6 73	4	13 1/2	8 1/2	7 b	3 a	British Ropes				5 1/2	8 1/2	8 1/2	6 15	2	2		
35 1/2	25 1/2	9 b	10 1/2 b	J. Lyons A				10 1/2	28 1/2	4 81	2	70 1/2	50 1/2	7 1/2 a	15 b	De La Rue				10 1/2	51 1/2	50 1/2	4 50	2	2		
14 3/4	10 1/2	7 1/2 b	5 1/2 a	Spillers				5 1/2	11 1/2	4 55	2	50 1/2	31 1/2	20 c	7 1/2 a	Gestetner A				5 1/2	38 1/2	38 1/2	2 60	3 1/2	3 1/2		
55 1/2	42 10/16	9 b	3 a	Tate & Lyle				4 1/2	44 1/2	4 34	2	73 1/2	52 1/2	6 b	9 b	Glaxo				10 1/2	54 1/2	55 1/2	2 70	3 1/2	3 1/2		
20 10/12	15 7/12	5 a	9 b	Unigate				5 1/2	16 1/2	4 51	2	57 1/2	44 1/2	12 b	4 a	Harcourt & Cr. Delft				5 1/2	37 1/2	37 1/2	4 38	1 1/2	1 1/2		
73 1/2	60 1/2	12 1/2 c	11 1/2 a	Brit. Amer. Tobac.				10 1/2	61 3/4	60 1/2	5	55 1/2	35 1/2	6 b	5 a	Hoover A				5 1/2	42 1/2	42 1/2	5 29	2 1/2	2 1/2		
51 1/2	40 1/2	15 b	8 a	Gallaher				10 1/2	40 1/2	4 85	2	28 1/2	19 1/2	12 1/2 b	5 a	Ifford				5 1/2	19 1/2	19 1/2	4 55	2	2		
71 1/2	65 1/2	14 b	8 1/2 a	Imperial Tobacco				10 1/2	66 1/2	6 77	1 1/2	107 1/2	56 1/2	7 1/2 a	4 a	I.C.T.				10 1/2	88 1/2	90 1/2	2 48	2 1/2	2 1/2		
												78 1/2	45 1/2	12 1/2 c	12 1/2 c	National Canning				10 1/2	45 1/2	46 1/2	5 41	1	1		
												37 3/4	29 1/2	6 a	10 b	Powell Duffryn				10 1/2	33 1/2	33 1/2	4 81	2 1/2	2 1/2		
												30 3/4	24 1/2	15 b	5 b	Radio Rentals				5 1/2	26 10/12	27 1/2	3 64	3	3		
												37 1/2	18 1/2	12 1/2 b	12 1/2 b	Rank Organisation				5 1/2	34 1/2	35 1/2	4 50	2 1/2	2 1/2		
												1 2 1/2	3 10 1/2	16 1/2 a	7 1/2 a	Schweppes				5 1/2	33 1/2	35 1/2	3 63	3 1/2	3 1/2		
												39 1/2	27 1/2	20 c	25 c	Sears A				5 1/2	31 3/4	32 1/2	3 88	2 1/2	2 1/2		
												28 1/2	21 7/12	11 1/2 b	8 1/2 a	Thomas Tilling				4 1/2	22 1/2	23 1/2	3 42	2	2		
												78 1/2	55 1/2	12 c	4 a	Turner & Newall				10 1/2	57 10/12	58 1/2	4 10	2 1/2	2 1/2		
												166 1/2	130 1/2	9 04 1/2	15 5b	Unilever				10 1/2	143 1/2	147 1/2	3 34	3 1/2	3 1/2		
												119 3/4	88 1/2	8 a	15 b	Unilever V				12 1/2	98 1/2	101 1/2	2 44	3 1/2	3 1/2		
												42 1/2	30 1/2	14 1/2 a	10 1/2 b	United Glass				5 1/2	16 1/2	16 1/2	4 69	3 1/2	3 1/2		
												42 1/2	30 1/2	14 1/2 a	10 1/2 b	United Molasses				10 1/2	30 1/2	30 10/12	7 93	1	1		

Industrial Profits and Assets

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

Comparative analysis of 546 profit and loss accounts published July - September, 1961 (£'000)

Industry	Breweries and Distilleries (15)	Clothing and Footwear (17)	Food and Confectionery (32)	Shops and Stores (11)	Tobacco (1)	Building (16)	Engineering (71)	Transport (19)
No. of Companies	(15)	(17)	(32)	(11)	(1)	(16)	(71)	(19)
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit	48,366	53,699	4,190	4,634	47,612	51,687	38,243	41,546
Income from investments	2,906	3,025	83	65	772	758	426	437
Other current income	1,933	892	125	330	453	966	1,200	1,872
Non-recurring credits	3,736	5,312	311	410	3,072	3,976	3,226	4,409
Total Income	53,205	57,616	4,398	5,029	48,837	53,411	39,869	43,855
Depreciation	4,987	5,606	510	596	11,926	13,414	3,664	3,753
Income tax	16,749	18,676	1,192	1,331	12,268	12,623	13,475	14,457
Profits tax	3,736	5,312	311	410	3,072	3,976	3,226	4,409
Directors' emoluments	770	788	402	389	1,364	1,459	439	467
Administrative charges	110	129	40	70	655	893	641	644
Contingencies, provisions, etc.	37	159	103	193	401	453	133	69
Pensions	52	52	35	25	789	716	61	77
Minority interests	734	576	1	8	333	345	751	651
Loan interest	1,699	1,719	53	54	933	999	800	1,256
Preference dividends	498	578	98	100	766	825	361	624
Profits retained by subsidiaries	6,177	4,750	379	202	3,869	2,751	5,255	4,378
Ordinary dividends	10,154	11,518	649	703	6,750	7,573	7,756	8,134
Reserves (parent company)	6,993	7,178	112	119	3,304	4,416	2,589	2,642
Brought in (parent company)	4,802	5,311	1,590	2,103	10,530	12,937	2,654	3,372
Carried forward (parent company)	5,311	5,886	2,103	1,852	12,937	15,905	3,372	5,666

Industry	Shipbuilding (2)	Chemicals and Paint (10)	Electrical Manufacturing (23)	Motors, Cycles and Aircraft (20)	Newspapers, Paper & Printing (14)	Miscellaneous Manufacturing (95)	Shipping (6)	Cotton (6)
No. of Companies	(2)	(10)	(23)	(20)	(14)	(95)	(6)	(6)
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit	4,941	5,517	3,934	4,384	25,332	24,190	9,047	9,007
Income from investments	295	361	54	46	438	537	54	49
Other current income	...	...	73	109	572	329	100	179
Non-recurring credits	5,236	5,878	4,062	4,541	26,342	25,056	9,258	9,286
Total Income	5,236	5,878	4,062	4,541	26,342	25,056	9,258	9,286
Depreciation	983	1,043	708	813	5,078	5,770	1,374	1,568
Income tax	1,629	1,933	1,253	1,343	5,886	5,276	2,845	2,669
Profits tax	318	506	256	352	1,444	1,752	661	821
Directors' emoluments	103	76	235	266	609	584	446	429
Administrative charges	1	1	55	114	580	529	44	59
Contingencies, provisions, etc.	...	...	77	8	1,640	1,390	39	36
Pensions	...	...	22	2	790	875	30	35
Minority interests	98	122	13	Dr. 32	265	342	Dr. 21	481
Loan interest	72	72	29	60	363	364	54	63
Preference dividends	904	1,112	131	193	1,257	894	1,151	1,068
Profits retained by subsidiaries	742	742	666	791	2,393	2,501	1,348	1,451
Ordinary dividends	160	100	646	509	4,255	3,579	969	603
Reserves (parent company)	2,132	2,358	529	500	4,644	5,169	1,394	1,504
Brought in (parent company)	2,358	2,529	500	538	5,169	4,870	1,504	1,778
Carried forward (parent company)	2,358	2,529	500	538	5,169	4,870	1,504	1,778

Industry	Silk and Rayon (4)	Wool (12)	Other Textiles (9)	Oil (1)	Rubber (28)	Tea (64)	Other Companies* (50)	TOTALS ALL GROUPS 546 Companies
No. of Companies	(4)	(12)	(9)	(1)	(28)	(64)	(50)	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit	1,373	1,686	3,439	3,323	5,051	4,530	1,248	1,224
Income from investments	10	13	122	113	99	128	11	17
Other current income	...	...	...	...	...	...	...	...
Non-recurring credits	1,397	1,722	3,609	3,479	5,186	4,667	1,259	1,241
Total Income	1,397	1,722	3,609	3,479	5,186	4,667	1,259	1,241
Depreciation	304	325	291	364	681	771	196	228
Income tax	388	492	1,101	1,029	1,546	1,302	404	385
Profits tax	97	160	264	322	382	427	97	96
Directors' emoluments	102	120	287	297	289	261	7	7
Administrative charges	5	10	42	44	15	15	24	24
Contingencies, provisions, etc.	9	13	108	108	58	7	...	...
Pensions	...	...	100	1	122	22	...	...
Minority interests	6	5	4	2	7	14	...	...
Loan interest	60	36	...	43	35	35	...	...
Preference dividends	91	223	157	255	364	499	...	...
Profits retained by subsidiaries	218	166	664	718	518	575	387	387
Ordinary dividends	75	130	661	266	1,215	383	135	100
Reserves (parent company)	104	144	1,656	1,543	1,617	1,499	40	43
Brought in (parent company)	144	184	1,543	1,573	1,499	1,784	43	51
Carried forward (parent company)	144	184	1,543	1,573	1,499	1,784	43	51

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

Comparative analysis of 546 balance sheets published July - September, 1961 (£'000)

Industry	Breweries and Distilleries (15)	Clothing and Footwear (17)	Food and Confectionery (32)	Shops and Stores (11)	Tobacco (1)	Building (16)	Engineering (71)	Iron and Steel (9)
No. of Companies	(15)	(17)	(32)	(11)	(1)	(16)	(71)	(9)
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Fixed assets	155,542	189,641	11,057	12,735	228,202	258,861	119,349	117,486
Trade investments	13,940	15,545	388	295	2,373	2,521	4,493	4,605
Stocks	96,803	112,677	8,834	10,842	75,376	88,362	59,488	62,812
Debtors	35,041	46,166	4,233	4,887	39,156	46,667	96,947	101,018
Net balances due to parent company	9	7	...	...	267	31	...	...
Gift-edged	17,429	10,632	1,629	1,283	11,218	7,664	12,620	20,298
Cash	1,483	1,461	35	...	2,993	2,654	2,493	2,255
Other marketable investments	2,765	2,844	847	776	22,055	25,479	3,785	4,615
Intangible assets	323,614	379,464	27,057	30,852	382,135	432,497	299,175	313,090
Total Assets	323,614	379,464	27,057	30,852	382,135	432,497	299,175	313,090
Bank overdrafts and loans	3,189	3,143	777	2,074	24,816	32,281	23,599	12,768
Reserve for future income tax	16,982	19,921	1,221	1,330	13,520	14,188	16,226	16,492
Depreciation	35,726	45,022	4,030	4,569	73,306	84,360	22,755	24,652
Capital reserves	17,844	32,431	733	980	32,333	35,798	42,370	48,553
Other provisions	1,523	1,355	123	94	4,510	4,030	365	503
Creditors	18,569	25,387	3,408	4,138	47,044	57,862	43,135	44,008
Other current liabilities	15,658	19,198	1,721	1,996	15,761	16,624	26,874	29,170
Revenue reserves and carried forward	51,130	40,473	5,524	4,889	53,005	59,125	42,228	50,791
Net balances due to subsidiaries	80	7	5	5	387	1,285	750	725
Minority interests	5,610	6,246	4	21	6,508	6,470	11,172	11,231
Loan capital	35,747	36,593	1,225	1,211	17,546	17,658	12,270	15,513
Preference capital	14,240	16,695	2,388	2,262	24,251	24,972	17,549	17,529
Ordinary capital	107,316	132,993	5,898	7,283	69,148	77,844	39,982	41,155
Total Liabilities	323,614	379,464	27,057	30,852	382,135	432,497	299,175	313,090
Year's Free Scrap Issues	4,911	17,995	—	1,227	5,499	4,088	2,829	374

Industry	Shipbuilding (2)	Chemicals and Paint (10)	Electrical Manufacturing (23)	Motors, Cycles and Aircraft (20)	Newspapers, Paper & Printing (14)	Miscellaneous Manufacturing (95)	Shipping (6)	Cotton (6)
No. of Companies	(2)	(10)	(23)	(20)	(14)	(95)	(6)	(6)
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Fixed assets	18,075	19,717	13,117	14,461	83,579	93,153	21,208	24,007
Trade investments	2,396	2,530	278	162	4,296	4,819	379	558
Stocks	10,853	13,204	3,559	3,789	78,477	96,190	15,811	19,770
Debtors	8,539	8,753	4,780	5,569	55,118	60,100	13,406	15,400
Net balances due to parent company	...	...	119	52	24	...	...	...
Gift-edged	10,241	8,119	2,875	2,953	8,072	5,800	3,062	1,651
Cash	24	24	27	566	224	174	115	1,163
Other marketable investments	2,039	2,223	5,251	5,869	1,393	1,403	597	827
Intangible assets	52,143	54,546	30,010	32,949	231,553	261,713	54,637	62,328
Total Assets	52,143	54,546	30,010	32,949	231,553	261,713	54,637	62,328
Bank overdrafts and loans	1,909	2,445	2,958	1,653	8,634	21,454	3,330	5,403
Reserve for future income tax	7,271	8,331	5,286	6,045	34,039	37,853	7,735	25,479
Depreciation	4,611	4,632	2,802	918	17,829	18,016	3,315	3,523
Capital reserves	24	14	46	34	141	138	89	167
Other provisions	7,008	8,424	3,343	3,829	39,049	44,672	7,170	8,733
Creditors	6,127	4,543	1,795	1,747	9,294	9,128	2,300	2,425
Other current liabilities	9,691	11,028	5,149	4,753	47,318	49,894	10,651	12,274
Revenue reserves and carried forward	...	...	2	3	62	...	...	...
Net balances due to subsidiaries	1,689	1,642	1,241	304	1,915	2,077	65	67
Minority interests	73	...	2,001	26,911	30,128	3,005	3,152	12,316
Loan capital	2,567	2,567	821	1,821	10,478	10,431	1,717	2,013
Preference capital	10,873	10,873	5,568	8,665	29,718	31,755	12,729	13,769
Ordinary capital	...	...	...	...	...	...	...	...
Total Liabilities	52,143	54,546	30,010	32,949	231,553	261,713	54,637	62,328
Year's Free Scrap Issues	—	—	100	2,931	679	1,766	3,733	526

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
No. of Companies	(4)		(12)		(9)		(1)		(28)		(64)		(50)		546 Companies	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Fixed assets	6,921	7,305	7,394	8,494	14,337	15,634	7,837	8,234	15,160	17,865	31,712	34,107	287,001	325,960	1,644,156	1,885,870
Trade investments	23	23	133	103	402	477	16	16	1,303	1,366	734	832	32,656	37,774	114,457	112,315
Stocks	3,500	3,805	11,328	11,838	8,611	9,723	459	510	1,504	1,365	13,132	14,815	28,955	31,249	674,172	793,607
Debtors	1,757	1,913	3,303	4,071	5,561	6,218	1,607	1,807	728	803	4,392	5,139	192,419	235,932	733,585	858,134
Net balances due to parent company	—	—	10	10	12	12	—	—	1,286	1,404	2,077	2,056	998	873	10,527	941
Gift-edged	398	343	2,864	1,670	1,807	1,295	463	656	3,191	3,425	7,805	6,291	36,733	47,254	18,149	17,197
Cash	—	—	756	785	1,267	1,371	—	—	734	828	595	625	24,444	26,321	50,763	54,263
Other marketable investments	—	—	—	—	58	58	—	—	9	7	218	147	9,288	12,487	101,478	128,999
Intangible assets	458	448	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Assets	13,058	13,837	25,788	26,971	32,055	34,788	10,382	11,223	23,915	27,063	60,665	64,012	612,194	717,940	3,547,039	4,038,540
Bank overdrafts and loans	620	523	2,255	1,762	416	1,243	—	—	13	53	4,819	6,207	62,048	86,505	191,695	249,694
Reserve for future income tax	380	488	1,023	1,012	1,612	1,472	—	—	427	287	1,008	1,063	15,515	134,371	134,371	132,800
Depreciation	3,467	3,799	3,182	3,602	6,085	6,690	4,681	4,906	2,100	2,410	6,366	7,197	51,936	57,028	279,757	367,907
Capital reserves	1,335	1,091	464	427	1,226	1,779	200	200	5,499	6,517	7,620	7,819	52,051	68,240	292,584	358,546
Other provisions	—	—	129	129	—	115	—	—	388	422	418	376	16,413	18,545	25,362	34,622
Creditors	1,060	1,138	2,777	3,270	3,633	3,311	603	1,051	1,687	1,698	5,436	5,545	140,015	153,628	507,872	580,131
Other current liabilities	466	551	1,040	1,281	1,552	1,686	600	660	2,052	2,296	5,550	5,195	26,541	40,108	175,672	203,287
Revenue reserves and carried forward	1,161	1,459	6,853	6,986	7,744	8,568	1,298	1,406	2,680	2,957	11,357	12,115	61,079	68,806	590,608	635,097
Net balances due to subsidiaries	—	—	31	61	—	89	—	—	345	—	—	—	2,270	3,428	4,415	6,431
Minority interests	50	50	380	360	1,672	1,651	100	100	20	81	948	978	30,016	38,415	91,333	91,333
Loan capital	1,770	2,920	1,118	1,118	1,466	1,466	—	—	96	96	1,208	1,228	23,447	23,553	773,259	773,259
Preference capital	2,700	1,786	6,490	6,933	6,560	6,707	2,900	2,900	8,608	10,160	14,587	14,975	66,590	74,666	663,329	743,361
Ordinary capital	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Liabilities	13,058	13,837	25,788	26,971	32,055	34,788	10,382	11,223	23,915	27,063	60,665	64,012	612,194	717,940	3,547,039	4,038,540
Year's Free Scrap Issues	—	—	250	443	550	300	—	—	857	592	—	—	300	7,521	2,735	51,373

Money and Exchanges

EXCHEQUER RETURNS

For the week ended October 7, 1961, there was an "above-line" surplus (after allowing for sinking funds) of £7,900,000 compared with a deficit of £63,055,000 in the previous week and a surplus of £13,827,000 in the corresponding period of last year. There was a net receipt "below-line" of £38,790,000 leaving a total cumulative deficit to date of £644,242,000 compared with £640,516,000 in 1960-61.

£'000	Estimate 1961-62	April 1, 1961, Oct. 8, 1960	April 1, 1961, Oct. 7, 1961	8 days ended Oct. 8, 1961	Week ended Oct. 7, 1961
Ordinary Revenue					
Income Tax	2,728,500	704,195	815,022	26,088	27,621
Surplus	210,000	37,500	44,200	1,300	1,300
Death Duties	240,000	115,700	136,500	4,500	3,600
Stamps	94,000	44,500	52,800	1,700	1,500
Profit tax, EPT and EPL	325,500	146,200	183,000	5,600	5,400
Other Inland Rev. Duties	...	50	...	...	...
Total Inland Rev.	3,598,000	1,049,145	1,231,522	39,188	39,421
Customs	1,550,000	767,843	833,499	39,441	35,317
Excise	960,000	478,090	483,135	16,055	6,250
Total Customs and Excise	2,510,000	1,245,933	1,316,634	55,496	41,567
Motor Duties	155,000	27,857	31,600	1,188	446
PO (Net Receipts)	40,000	13,500	14,200	...	...
Broadcast Lic.	205,000	34,262	132,929	108	11,532
Sundry Loans	60,911	60,911	5,727	...	...
Miscellaneous	...	...	...	...	...
Total	6,508,000	2,431,608	2,726,885	101,707	92,966
Ordinary Expenditure					
Debt Interest	660,000	330,956	396,362	...	...
Payments to N. Ireland Exch.	92,000	43,415	45,067	3,028	3,352
PO Fund—Initial settlement	15,000	...	...	...	...
Other Consolidated Funds	8,000	4,039	4,153	107	13
Supply Services	5,186,902	2,406,323	2,596,344	83,700	80,500
Total	5,961,902	2,784,733	3,041,926	86,835	83,865
Sinking Funds	40,000	19,828	19,991	1,045	1,201
"Above-line" Surplus or Deficit		372,953	335,032	13,827	7,900
"Below-line" Net Expenditure		267,563	309,210	10,263	38,790
Total Surplus or Deficit		640,516	644,242	24,090	46,690
Net receipts from:					
Tax Reserve Certificates	134,555	137,172	8,554	30,496	...
Savings Certificates	36,700	13,800	600	1,300	...
Defence Bonds	57,170	18,261	1,660	...	...
Premium Savings Bonds	29,770	21,600	650	400	...
Total	258,196	162,233	11,444	29,598	...

* Net receipt to the Civil Contingencies Fund of £5 million in 1961-62 compared with a net receipt of £6 million in 1960-61.

FLOATING DEBT

(£ million)					
	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Dept.	Bank of England	
1960					
Oct. 8	3,500.0	1,642.5	203.5	0.3	5,346.3
1961					
June 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	1,722.5	316.8	1.5	5,340.7
" 26	3,280.0	1,840.0	201.9	2.3	5,324.1
Sept. 2	3,260.0	1,855.3	239.4	...	5,354.8
" 9	3,240.0	1,886.4	221.4	...	5,347.9
" 16	3,240.0	1,905.2	229.5	...	5,374.7
" 23	3,220.0	1,928.7	228.3	...	5,377.0
" 30	3,220.0	2,018.6	283.7	...	5,522.3
Oct. 7	3,240.0	1,998.1	207.2	...	5,445.3

THE MONEY MARKET

At the Treasury bill tender following last week's cut in Bank rate the syndicate of discount houses raised its bid by 2s. 5d. to £98 9s. 5d., and the average rate of discount fell sharply by $\frac{1}{2}$ per cent to $6\frac{1}{2}$ per cent. It is unusual for the bill rate to fall almost fully as much as Bank rate; but, still more unusually, the bill rate had actually risen at the tender before the Bank rate cut. Thus the present rate of $6\frac{1}{2}$ per cent is by no means out of line with Bank rate at $6\frac{1}{2}$ per cent, and it gives the market some scope for competitive bidding for bills in coming weeks. This week, however, two or three houses have been obliged to borrow small amounts from the Bank of England on two occasions. But the Bank of England was, after all, discouraging the discount market from anticipating the reduction to $6\frac{1}{2}$ per cent, and that did not prevent the Bank from making it.

Total applications at the tender fell by £50 million to £398 million and the market received 57 per cent of its application against 39 per cent a week earlier. Credit has been very short throughout this week and the rate for day-to-day money has rarely fallen below $5\frac{1}{2}$ per cent and has often been up to 6 per cent—compared with $6\frac{1}{2}$ per cent before the Bank rate cut.

MONEY RATES

LONDON		NEW YORK	
Bank rate (from 7% 5.10.61)	Discount rates	Bank rate	Discount rates
$6\frac{1}{2}$	Bank bills: 60 days $6\frac{1}{2}$ - $6\frac{3}{4}$	$6\frac{1}{2}$	Bank bills: 60 days $6\frac{1}{2}$ - $6\frac{3}{4}$
	3 months $6\frac{1}{2}$ - $6\frac{3}{4}$		3 months $6\frac{1}{2}$ - $6\frac{3}{4}$
	6 months $6\frac{1}{2}$ - $6\frac{3}{4}$		6 months $6\frac{1}{2}$ - $6\frac{3}{4}$
	Fine trade bills: 3 months $7\frac{1}{2}$ - $8\frac{1}{4}$		3 months $7\frac{1}{2}$ - $8\frac{1}{4}$
	4 months $7\frac{1}{2}$ - $8\frac{1}{4}$		4 months $7\frac{1}{2}$ - $8\frac{1}{4}$
	6 months $7\frac{1}{2}$ - $8\frac{1}{4}$		6 months $7\frac{1}{2}$ - $8\frac{1}{4}$
	Local Authorities: 7		7
	Money: Day-to-Day $4\frac{1}{2}$ - 6		$4\frac{1}{2}$ - 6
Official Discount rate: (from $3\frac{1}{2}$ %, 11.8.60)	Treasury bills: Oct. 2 $2\frac{3}{4}$, " 9 $2\frac{3}{8}$		

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

Effective Limits	October 11	October 5	October 6	October 7	October 9	October 10	October 11
United States \$	2.78-2.82*	2.81 $\frac{1}{2}$ -2.86	2.81 $\frac{1}{2}$ -2.86	2.81 $\frac{1}{2}$ -2.86	2.81 $\frac{1}{2}$ -2.86	2.81 $\frac{1}{2}$ -2.86	2.81 $\frac{1}{2}$ -2.86
Canadian \$	13.622-14.027	13.827-14.027	13.827-14.027	13.827-14.027	13.827-14.027	13.827-14.027	13.827-14.027
French Fr.	11.94-12.54*	12.16 $\frac{1}{2}$ -12.54	12.16 $\frac{1}{2}$ -12.54	12.16 $\frac{1}{2}$ -12.54	12.16 $\frac{1}{2}$ -12.54	12.16 $\frac{1}{2}$ -12.54	12.16 $\frac{1}{2}$ -12.54
Swiss Fr.	137.96	140.02 $\frac{1}{2}$ -140.07 $\frac{1}{2}$	140.02 $\frac{1}{2}$ -140.07 $\frac{1}{2}$	140.02 $\frac{1}{2}$ -140.07 $\frac{1}{2}$	140.02 $\frac{1}{2}$ -140.07 $\frac{1}{2}$	140.02 $\frac{1}{2}$ -140.07 $\frac{1}{2}$	140.02 $\frac{1}{2}$ -140.07 $\frac{1}{2}$
Dutch Gld.	9.98 $\frac{1}{2}$ -10.28 $\frac{1}{2}$	10.15-15 $\frac{1}{2}$	10.15-15 $\frac{1}{2}$	10.15-15 $\frac{1}{2}$	10.15-15 $\frac{1}{2}$	10.15-15 $\frac{1}{2}$	10.15-15 $\frac{1}{2}$
W. Ger. D-Mk.	11.037-11.365	11.23 $\frac{1}{2}$ -11.365	11.23 $\frac{1}{2}$ -11.365	11.23 $\frac{1}{2}$ -11.365	11.23 $\frac{1}{2}$ -11.365	11.23 $\frac{1}{2}$ -11.365	11.23 $\frac{1}{2}$ -11.365
Portug. Esc.	1725-1775	1745 $\frac{1}{2}$ -1775	1745 $\frac{1}{2}$ -1775	1745 $\frac{1}{2}$ -1775	1745 $\frac{1}{2}$ -1775	1745 $\frac{1}{2}$ -1775	1745 $\frac{1}{2}$ -1775
Italian Lire	14.27 $\frac{1}{2}$ -14.70	14.53 $\frac{1}{2}$ -14.70	14.53 $\frac{1}{2}$ -14.70	14.53 $\frac{1}{2}$ -14.70	14.53 $\frac{1}{2}$ -14.70	14.53 $\frac{1}{2}$ -14.70	14.53 $\frac{1}{2}$ -14.70
Swedish Kr.	19.06 $\frac{1}{2}$ -19.62	19.37 $\frac{1}{2}$ -19.62	19.37 $\frac{1}{2}$ -19.62	19.37 $\frac{1}{2}$ -19.62	19.37 $\frac{1}{2}$ -19.62	19.37 $\frac{1}{2}$ -19.62	19.37 $\frac{1}{2}$ -19.62
Danish Kr.	19.71-20.30 $\frac{1}{2}$	20.01 $\frac{1}{2}$ -20.30 $\frac{1}{2}$	20.01 $\frac{1}{2}$ -20.30 $\frac{1}{2}$	20.01 $\frac{1}{2}$ -20.30 $\frac{1}{2}$	20.01 $\frac{1}{2}$ -20.30 $\frac{1}{2}$	20.01 $\frac{1}{2}$ -20.30 $\frac{1}{2}$	20.01 $\frac{1}{2}$ -20.30 $\frac{1}{2}$
Norwegian Kr.	19.71-20.30 $\frac{1}{2}$	20.01 $\frac{1}{2}$ -20.30 $\frac{1}{2}$	20.01 $\frac{1}{2}$ -20.30 $\frac{1}{2}$	20.01 $\frac{1}{2}$ -20.30 $\frac{1}{2}$	20.01 $\frac{1}{2}$ -20.30 $\frac{1}{2}$	20.01 $\frac{1}{2}$ -20.30 $\frac{1}{2}$	20.01 $\frac{1}{2}$ -20.30 $\frac{1}{2}$
Official Limits							
United States \$		7 $\frac{1}{2}$ -3 $\frac{1}{2}$ c. pm	7 $\frac{1}{2}$ -3 $\frac{1}{2}$ c. pm	7 $\frac{1}{2}$ -3 $\frac{1}{2}$ c. pm	7 $\frac{1}{2}$ -3 $\frac{1}{2}$ c. pm	7 $\frac{1}{2}$ -3 $\frac{1}{2}$ c. pm	7 $\frac{1}{2}$ -3 $\frac{1}{2}$ c. pm
Canadian \$		15 $\frac{1}{2}$ -13 $\frac{1}{2}$ c. pm	15 $\frac{1}{2}$ -13 $\frac{1}{2}$ c. pm	15 $\frac{1}{2}$ -13 $\frac{1}{2}$ c. pm	15 $\frac{1}{2}$ -13 $\frac{1}{2}$ c. pm	15 $\frac{1}{2}$ -13 $\frac{1}{2}$ c. pm	15 $\frac{1}{2}$ -13 $\frac{1}{2}$ c. pm
French Fr.		34 $\frac{1}{2}$ -31 $\frac{1}{2}$ c. pm	34 $\frac{1}{2}$ -31 $\frac{1}{2}$ c. pm	34 $\frac{1}{2}$ -31 $\frac{1}{2}$ c. pm	34 $\frac{1}{2}$ -31 $\frac{1}{2}$ c. pm	34 $\frac{1}{2}$ -31 $\frac{1}{2}$ c. pm	34 $\frac{1}{2}$ -31 $\frac{1}{2}$ c. pm
Swiss Fr.		42 $\frac{1}{2}$ -41 $\frac{1}{2}$ c. pm	42 $\frac{1}{2}$ -41 $\frac{1}{2}$ c. pm	42 $\frac{1}{2}$ -41 $\frac{1}{2}$ c. pm	42 $\frac{1}{2}$ -41 $\frac{1}{2}$ c. pm	42 $\frac{1}{2}$ -41 $\frac{1}{2}$ c. pm	42 $\frac{1}{2}$ -41 $\frac{1}{2}$ c. pm
Belgian Fr.		35-25 c. pm	35-25 c. pm	35-25 c. pm	35-25 c. pm	35-25 c. pm	35-25 c. pm
Dutch Gld.		3 $\frac{1}{2}$ -3 c. pm	3 $\frac{1}{2}$ -3 c. pm	3 $\frac{1}{2}$ -3 c. pm	3 $\frac{1}{2}$ -3 c. pm	3 $\frac{1}{2}$ -3 c. pm	3 $\frac{1}{2}$ -3 c. pm
W. German D-Mk.		3 $\frac{1}{2}$ -3 $\frac{1}{2}$ pf. pm	3 $\frac{1}{2}$ -3 $\frac{1}{2}$ pf. pm	3 $\frac{1}{2}$ -3 $\frac{1}{2}$ pf. pm	3 $\frac{1}{2}$ -3 $\frac{1}{2}$ pf. pm	3 $\frac{1}{2}$ -3 $\frac{1}{2}$ pf. pm	3 $\frac{1}{2}$ -3 $\frac{1}{2}$ pf. pm
United States \$		21 $\frac{1}{2}$ -23 $\frac{1}{2}$ c. pm	21 $\frac{1}{2}$ -23 $\frac{1}{2}$ c. pm	21 $\frac{1}{2}$ -23 $\frac{1}{2}$ c. pm	21 $\frac{1}{2}$ -23 $\frac{1}{2}$ c. pm	21 $\frac{1}{2}$ -23 $\frac{1}{2}$ c. pm	21 $\frac{1}{2}$ -23 $\frac{1}{2}$ c. pm
Canadian \$		21 $\frac{1}{2}$ -23 $\frac{1}{2}$ c. pm	21 $\frac{1}{2}$ -23 $\frac{1}{2}$ c. pm	21 $\frac{1}{2}$ -23 $\frac{1}{2}$ c. pm	21 $\frac{1}{2}$ -23 $\frac{1}{2}$ c. pm	21 $\frac{1}{2}$ -23 $\frac{1}{2}$ c. pm	21 $\frac{1}{2}$ -23 $\frac{1}{2}$ c. pm
Swiss Fr.		12 $\frac{1}{2}$ -11 $\frac{1}{2}$ pf. pm	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ pf. pm	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ pf. pm	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ pf. pm	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ pf. pm	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ pf. pm
W. German D-Mk.		11 $\frac{1}{2}$ -11 $\frac{1}{2}$ pf. pm	11 $\frac{1}{2}$ -11 $\frac{1}{2}$ pf. pm	11 $\frac{1}{2}$ -11 $\frac{1}{2}$ pf. pm	11 $\frac{1}{2}$ -11 $\frac{1}{2}$ pf. pm	11 $\frac{1}{2}$ -11 $\frac{1}{2}$ pf. pm	11 $\frac{1}{2}$ -11 $\frac{1}{2}$ pf. pm
Gold Price at Fixing		250/0 $\frac{1}{2}$ 35 18 $\frac{1}{2}$	250/0 $\frac{1}{2}$ 35 18 $\frac{1}{2}$	250/0 $\frac{1}{2}$ 35 18 $\frac{1}{2}$	250/0 $\frac{1}{2}$ 35 18 $\frac{1}{2}$	250/0 $\frac{1}{2}$ 35 18 $\frac{1}{2}$	250/0 $\frac{1}{2}$ 35 18 $\frac{1}{2}$
Price (s. d. per fine oz.)		35 18 $\frac{1}{2}$	35 18 $\frac{1}{2}$	35 18 $\frac{1}{2}$	35 18 $\frac{1}{2}$	35 18 $\frac{1}{2}$	35 18 $\frac{1}{2}$

BANK OF ENGLAND RETURNS

(£ million)	Oct. 12, 1960	Oct. 4, 1961	Oct. 11, 1961
Issue Department:			
Notes in circulation	2,220.3	2,308.2	2,307.3
Govt. debt and securities	30.1	17.1	18.1
Other securities	2,247.7	2,324.0	2,324.0
Gold coin and bullion	0.8	0.8	0.7
Coin other than gold coin	1.5	0.3	0.3
Banking Department:			
Deposits:			
Public accounts	10.2	11.6	10.2
Special deposits	149.4	232.9	230.3
Bankers	247.4	258.9	241.0
Others	65.5	68.6	68.3
Total	472.5	572.0	551.9
Securities:			
Government	426.1	501.6	474.9
Discounts and advances	14.3	51.6	56.3
Other	18.9	19.4	19.3
Total	459.3	572.5	550.6
Banking department reserve	30.9	18.0	18.9
"Proportion"	6.5	3.1	3.4

* Government debt is £110,150,000 capital £14,553,000. Fiduciary issue reduced by £25 million to £2,325 million on September 20th.

TREASURY BILL TENDERS

Amount (£ million)		Three Months' Bills			
Date of Tender	Offered	Applied for	Average Rate of Allotment	Allotted at Max. Rate*	
1960					
Oct. 7	91 day 290 0	491.4	s 111	d 3 52	15
1961					
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
" 25	260 0	409.9	134	0 12	39
Sept. 1	250 0	379.8	134	0 50	40
" 8	260 0	441.6	132	10 81	68
" 15	250 0	407.0	131	10 99	48
" 22	250 0	383.3	130	6 51	65
" 29	270 0	447.9	131	0 48	39
Oct. 6	260 0	397.9	122	5 80	57

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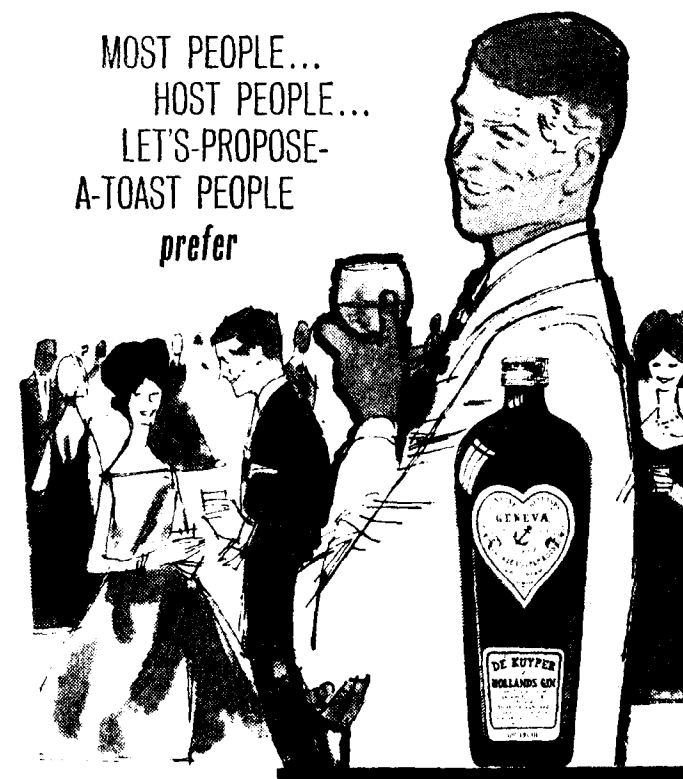
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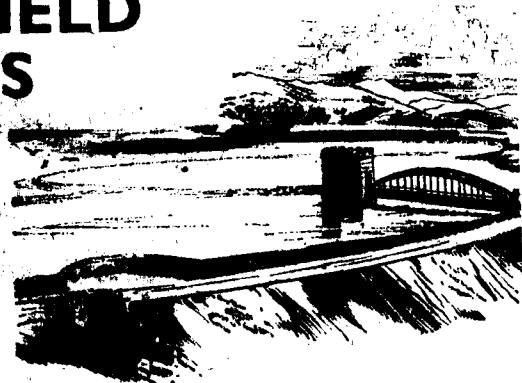
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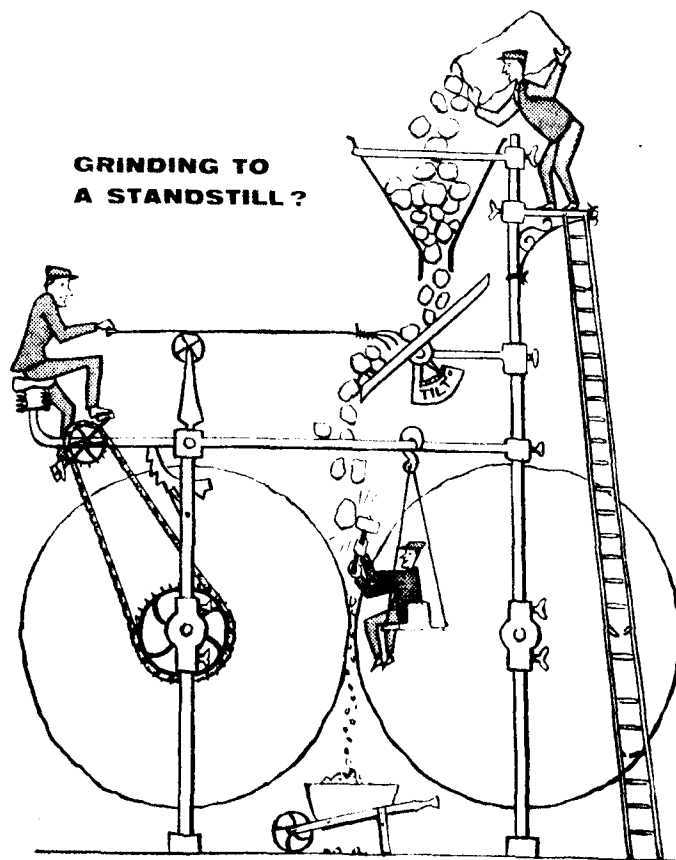


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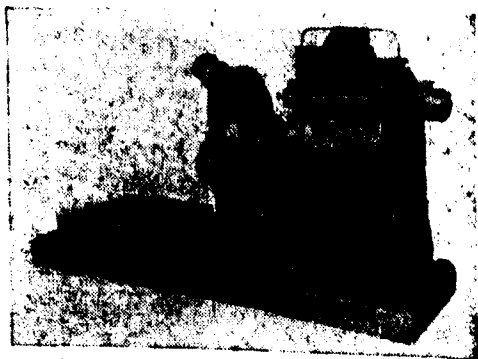


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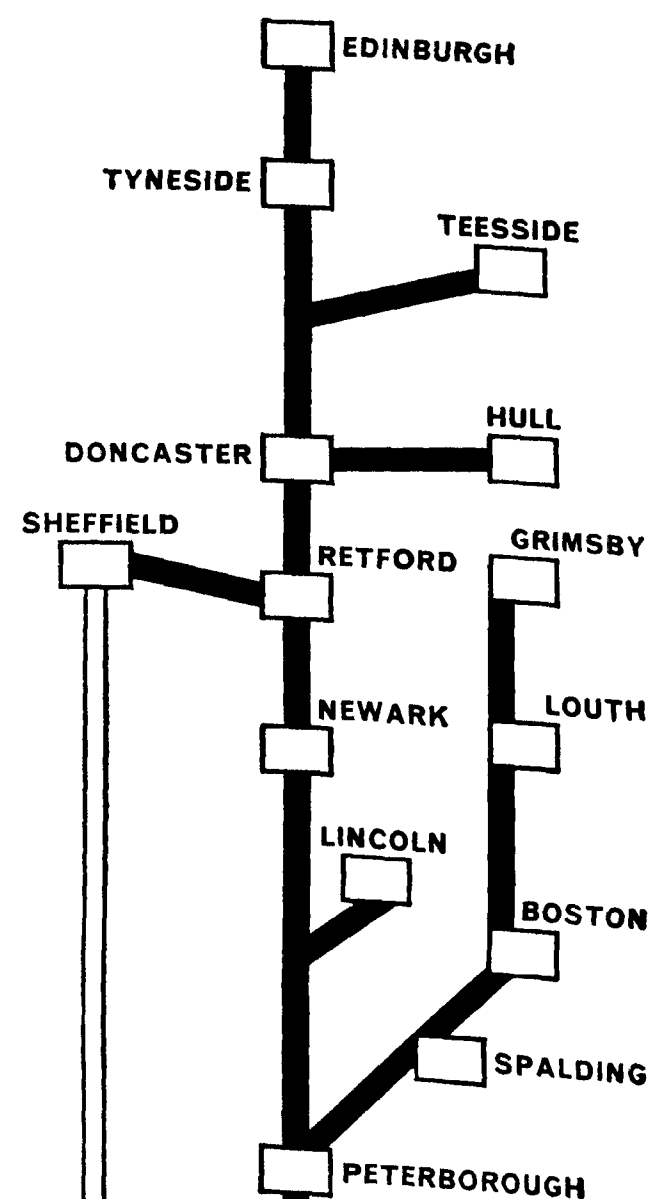
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